育儿网 全平台

China Parenting Network Holdings Limited
中國育兒網絡控股有限公司
(Incorporated in the Cayman Islands with limited liability)
STOCK CODE:1736

2021年報

ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Lake Mozi *(Chairperson)*
Mr. Cheng Li
Mr. Hu Qingyang

Non-Executive Directors

Ms. Li Juan
Mr. Wu Haiming
Mr. Zhang Haihua

Independent Non-Executive Directors

Mr. Wu Chak Man
Mr. Zhao Zhen
Mr. Ge Ning

BOARD COMMITTEES

Audit Committee

Mr. Wu Chak Man *(Chairperson)*
Ms. Li Juan
Mr. Ge Ning

Nomination Committee

Mr. Zhang Lake Mozi *(Chairperson)*
Mr. Zhao Zhen
Mr. Ge Ning

Remuneration Committee

Mr. Ge Ning *(Chairperson)*
Mr. Zhao Zhen
Mr. Cheng Li

COMPANY SECRETARY

Mr. Zhang Lake Mozi

AUTHORISED REPRESENTATIVES

Mr. Cheng Li
Mr. Zhang Lake Mozi

AUDITOR

Confucius International CPA Limited

LEGAL ADVISERS TO OUR COMPANY

As to Hong Kong Law

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Grand Cayman KY1-1111
Cayman Islands

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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The PRC

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Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANK

Bank of Communications (Xuanwu Branch)
No. 519, Zhujiang Road, Xuanwu District
Nanjing, Jiangsu Province, The PRC

STOCK CODE

1736

COMPANY WEBSITE

www.ci123.com

HIGHLIGHTS

KEY HIGHLIGHTS

- In 2021, the total MAU and DAU of the company's mobile APPs (total number from two main APPs: Pregnancy Tracker and Mama BBS) were 16.00 million and 3.58 million, respectively, an increase of 4.81% and 8.42% from the previous year.
- During the period, in the face of the rapid development and change of the industry, CI Web continued to upgrade its products and services based on the strategy of "new generation, new contacts, and new growth", and was committed to providing personalized smart home solutions for young Chinese families. CI Web took "APP + applet + community" as its core, using multiple online and offline networks to obtain the traffic of pregnant and infant groups, and build an in-depth communication link between mother-child users; using multi-sales channels to create a trusting mother-child group with high conversion rate.

FINANCIAL HIGHLIGHTS

The following table sets forth the consolidated statements of profit or loss and other comprehensive income of our Group for the year ended 31 December 2021.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue	**93,744**	92,267
Gross profit	**5,195**	30,116
(Loss)/profit for the year	**(55,137)**	(96,518)
Attributable to:		
Owners of the parent	**(51,455)**	(96,175)
Non-controlling interests	**(3,682)**	(343)

CHAIRPERSON'S STATEMENT

Dear Shareholders,

Based on domestic economic growth, the iteration of mother-child groups and future consumption upgrades, it is estimated that the size of China's mother-child market will continue to grow. Due to the continued impact of the COVID-19 epidemic, the uncertain economic environment, and the declining birth rates, China's mother-child industry is currently facing challenges. In March 2022, the Chinese government decided to establish the Special Additional Deductible for Individual Income Tax of Expenditures for Care Services for Infants under Three Years Old in order to encourage childbirth and support the three-child policy, and also to bring confidence to the sustainable growth of the pregnant and infant market. Under the influence of digitalization, consumption patterns have undergone complex changes. Based on data-driven approach and rich industry experience, the Group has real-time insights into the behavior and attitude changes of mother-child families and their impact on business, and is committed to providing personalized smart home solutions for young Chinese families. During the period, in the face of the rapid development and change of the industry, CI Web continued to upgrade its products and services based on the strategy of "new generation, new contacts, and new growth". CI Web took "APP + applet + community" as its core, using multiple online and offline networks to obtain the traffic of pregnant and infant groups, and build an in-depth communication link between mother-child users; using multi-sales channels to create a trusting mother-child group with high conversion rate, and increase the monetization channels of the industrial chain. Focusing on the needs of pregnant and infant families, CI Web deployed a full-scenario SaaS system. Based on the full-scenario service architecture, segmented service scenarios were created. CI Web provided customers with digital business solutions for pregnant and infant groups, and improved the efficiency of brand digital upgrades; CI Web also strengthened its MCN capabilities with high-quality IP matrix, upgraded the content co-creation mechanism, and helped the younger generation of mother-child groups to show their self-worth. CI Web always advocates a confident, free and natural attitude toward life, leads an advanced, practical and scientific parenting method, and accompanies parents and children to grow together.

The Group attaches great importance to fulfilling its corporate citizenship responsibilities. During the year, the Group and its employees, together with professional public welfare organizations, industry partner organizations and caring people, carried out various themed public welfare activities, and coordinated their own resources to help fight the epidemic, care for pregnant and infant families, provide support for vulnerable groups, and send more positive energy to the society.

On behalf of the Board, I would like to thank all the employees of the Group for their hard work and the shareholders of the Company for their care and support for the Company. Looking into the future, various industries will enter the track of high-quality development and transformation, and innovation and integration will be the core driving force for growth. CI Web will continue to work with industry partners to create a win-win environment, build an interconnected ecosystem of the industry chain, enrich intelligent scene experience and segmented services for mother-child families, and meet the growing emotional connection and high-quality life needs of mother-child families.

Chairperson
Zhang Lake Mozi
31 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a leading mother-child platform in China, providing users with content, community, new media, e-commerce, smart hardware and other related services through a portfolio of websites and APPs including CI Web, Mama BBS APP, Pregnancy Tracker APP, new media matrix and mother-child online communities, covering areas including new retail, health, education, home entertainment and family travel, etc., committed to providing personalized smart home solutions for young Chinese families. CI Web advocates a confident, free and natural attitude toward life, leads an advanced, practical and scientific parenting method, and accompanies parents and children to grow together.

In 2021, the total MAU and DAU of the company's mobile APPs (total number from two main APPs: Pregnancy Tracker and Mama BBS) were 16.00 million and 3.58 million, respectively, an increase of 4.81% and 8.42% from the previous year.

INDUSTRY REVIEW

China's mother-child market meets a new generation, with significant changes in parenting concepts and behaviors

China's mother-child market has ushered in a new mainstream group. The post-90s have become the main force of the mother-child group, closely followed by the post-00s. The consumption ability and education level of the new generation of mother-child group have generally improved, and the concept of parenting has become more scientific, refined and personalized. At the same time, as the "**aboriginals**" of the Internet, the parents of the new generation have increased their dependence and trust on the Internet, and are willing to obtain professional, convenient, and diverse services and experiences online. The user behavior has undergone major changes, and online consumption has grown significantly. Under the trend of second/third childbirth, the life cycle of mother-child group is prolonged. In addition to mothers, more family members participate in childcare. The size of mother-child families expands, and the segmented demands have grown rapidly. Mother-child groups in third- and fourth-tier cities have higher birth rates, and their spending power and willingness continue to increase.

Consumption upgrade drives the growth of the mother-child consumption market, segmented markets emerge to meet diversified needs

According to the Analysys report, in 2020, due to the decrease in mother-child users and the impact of the pandemic, the market size of mother-child products have declined slightly. In June 2021, the three-child policy was implemented, which will alleviate the continued decline in the new birth population to a certain extent. In March 2022, the PRC government listed nursing expenses for infants under three years old as special additional deductions from individual income tax for encouraging child birth and supporting the three-child policy. Based on domestic economic growth, the iteration of mother-child groups and future consumption upgrades, it is estimated that the market size of China's mother-child products will reach RMB1,257.2 billion in 2025. In addition to the safety and quality factors that parents of the post-90s generation are concerned about, mother-child products are developing towards innovative, segmented and high-end. The economy of beauty and self-satisfaction also followed, China-Chic becomes popular with the new generation. New consumption tracks and sub-categories continue to emerge.

Traffic decentralization tests the ability to deploy in all scenarios, private domain operation has become an important exploration direction

With the increasing diversification of communication channels, the trend of traffic decentralization has become more obvious. With the rapid development of mobile internet technology and big data technology, more scenarios are connected to the traffic portal, such as home consumption scenarios, mobile shopping scenarios, parenting and early education scenarios, parent-child travel scenarios, social circles, and offline mother-child store consumption scenarios, etc. This further tests the full-scenario customer acquisition ability of mother-child brands. Meanwhile, dividends of traffic are declining, users' mentality are changing rapidly, and customer acquisition costs are increasing, forcing brands to pay more attention to convert public domain traffic to private domain traffic. Especially for new brands, they usually have DTC attributes. Through private domain operations, they can deeply dig user value, enhance user stickiness, extend user life cycle, and increase user fission, conversion rate, and repurchase rate. It is an important exploration direction for efficiency and cost reduction. At present, WeChat communities and applets are the main user carriers for private domain operations.

The influence of content on the minds of users continues to increase, the vertical maternal platform has obvious advantages in user value conversion

With the continuous upgrading of content creation and promotion methods, content can reach user information acquisition and influence user consumption decisions in multiple scenarios. Content empowers brands to continuously promotes brand information and value, and strengthen the emotional connection between brands and users. The mother-child groups, especially the early-stage mother-child group, has higher requirements for accurate content. According to the Analysys report, the vertical maternal APP is an important channel for users to obtain professional mother-child knowledge and information, and it is a community for mother-child groups. The vertical mother-child platform has gained recognition among the mother-child groups due to its differentiation, specialization and intensification of content and services, with the advantages of high user stickiness and high conversion rate.

BUSINESS REVIEW

During the period, in the face of the rapid development and change of the industry, CI Web continued to upgrade its products and services based on the strategy of "**new generation, new contacts, and new growth**", and was committed to providing personalized smart home solutions for young Chinese families. CI Web takes "**APP + applet + community**" as its core, using multiple online and offline networks to obtain the traffic of pregnant and infant groups, and build an in-depth communication link between mother-child users; using multi-sales channels to create a trusting mother-child group with high conversion rate.

Built a multi-service network for pregnant and infant groups, and deployed extended service scenarios across industries

CI Web took "**APP + applet + community**" as its core, using multiple online and offline networks to obtain the traffic of pregnant and infant groups, build an in-depth communication link between mother-child users, and increase the monetization channels of the industrial chain. During the period, from the four values of knowledge service, emotional connection, decision-making guide, and user self-improvement, we continued to build a more professional and open mother-child lifestyle sharing and communication platform. The Mama BBS APP accessed the live channel, interacted and communicated with users in real time on knowledge popularization, female empathy, talent sharing, etc., and brought shopping discounts to users in multiple sessions and at multiple times. Relying on the matrix of existing pregnancy content and applets, as well as the self-developed S-CRM SaaS system based on WeChat Enterprise, Pregnancy Tracker launched the "**Mama Planet**" community service, providing one-on-one online real time consults for pregnant users. During the period, CI Web accelerated the layout of the community ecology, and synchronously introduced the platform traffic into the private domain environment of the community. Not only can the existing platform traffic be fully transformed, but at the same time, through mutual coordination, the whole platform ecology can be expanded, and a large growth space has been released. The community is centered on the mother-child communication group, and has incubated local life groups, mommy shop owner groups, IP fan groups, and distribution groups, and subdivided more service groups based on different dimensions such as pregnancy/newborn/region/community, covering 1st, 2nd, 3rd and 4th tier cities. With the community as the business carrier, a high-trust group atmosphere has been developed to achieve efficient fission and conversion. Focusing on the needs of pregnant and infant families, CI Web has deployed a full-scenario SaaS system to expand the ability to obtain traffic. Based on the full-scenario service architecture, segmented service scenarios have been created , such as new retail health, education, travel and other fields. The Mommy Store invested by CI Web provided a customized near-field retail service system for small and medium-sized mother-child stores, and promoted the consumption upgrade of mother-child groups in the sinking market; Hongdou Games created popular female-oriented games and expanded to the female population; CI Web also reached more mother-child/mother-child-related application scenarios by empowering smart devices, mobile phone hardware, offline shopping malls and airport maternity rooms.

High-quality IP matrix strengthened MCN capabilities, content co-creation enhanced user participation and interactive experience

CI Web is driven by high-quality content interaction, with refined management of big data as the underlying operation model, using multi-channel, multi-touch and precise MCN to realize global reach, continuously upgrade the content ecology, and provide brand customers with a good commercial content supply system. At present, most content online lacks creativity, and high-quality resources of authoritative professions are scarce. With its 16 years of experience in mother-child content, CI Web continuously output professional editors, authoritative experts, and KOLs as its core content, creating a knowledge service system for all childbearing age groups and an IP-based matrix of diverse content. Based on the user portraits of the new-generation mother-child/mother-child-related groups, CI Web invited professionals in related fields to incubate personalized accounts for different pain points, including doctors, lawyers, teachers, etc., for more scientific, efficient and accurate communication and sharing. CI Web has upgraded and launched five short videos and animation columns, focusing on hot topics of pregnancy, to meet the needs of post-90s users and brands for the current vertical short video content for mother-child groups. CI Web shifted its focus from one-way transmission to interactive communication, inspired users to co-create, and guided users to every small topic in a more timely and content aggregated way. For example, a series of activities were carried out around the theme of "the ordinary glory" and other self-pleasing themes, which resonated with users and set off a sharing craze. In order to help the younger generation of mother-child groups to show their self-worth, CI Web has created a new "Mother Creator Program". Through training, incentives and other operational methods, it discovered content creators on the site and continued to enhance the creators' sense of identity and value. CI Web continued to promote the TOP V partner program, and established a matrix of influencers from the mid-level to the top of the entire network. The popular influencers were selected by the professional selection of CI Web and the fan votes, through signing, support and extensive cooperation, their professional influences will be promoted, bringing more high-quality content and interactive experience to the mother-child users.

Linked multiple sales channels and transaction scenarios to create a high-trust conversion ecosystem for mother-child groups

During the period, CI Web strengthened the advantages of user value conversion, deployed transactions and sales, focused on the recommendation channel, small bazaar APP shopping guide, community e-commerce, group purchase, and channel supply to meet the needs of multi-scenario, multi-mode, high-frequency, fast-sales conversions.

With the advantage of the long-term accumulation in vertical mother-child platforms, CI Web has achieved rapid penetration in the field of social communities. Using the self-developed S-CRM SaaS system based on WeChat Enterprise, CI Web launched the "Mama Planet" community service, improved the socialization, scenario-based, and service-based management capabilities of the community, optimized the matching of supply and demand, reached users more efficiently, and achieved rapid user fission and transaction conversion; Developed the mode of selling goods by the mother group leader, and supported the user's self-pricing mode; Provided one-on-one online real-time knowledge Q&A and life services for users, such as providing real and reliable local hospital departments and related obstetric care services for people at different stages of pregnancy, providing free parenting expert library courses and mother-child product samples. At the same time, within the community, shared real word-of-mouth and experience through user exchanges; stimulated purchase through KOL/KOC, MCN.

CI Web has strategically cooperated with retail platforms such as JD Mother and Child. Through the efficient integration of all-platform transaction conversion touchpoints and access to the e-commerce supply chain, we used a variety of social media marketing methods to in-depth communicate with the new generation of mother-child groups, and create an innovative sales path for the whole platform and the whole link.

CI Web cooperated with brand customers to create multi-scenario and multi-objective conversions on the entire platform to achieve effective expansion of users and sustainable growth of sales. Through multi-scenario mental cultivation to assist purchasing decisions; multi-festival influence to drive the resonance with daily operation and promotion, and promote the continuous conversion of internal and external transactions; strengthen content shopping guide and repurchase, and activate continuous shopping demand. CI Web has established a full-category mother-child product library, selected through online mother-child group recommendation, brand self-recommendation, CI Web invitation, and media nomination. Being selected means a higher degree of reputation and recognition. The mother-child product library provides users with one-stop viewing of good products, distributes trial invitations to users, recommends with real user experiences, and reviews and compares from multiple dimensions. CI Web launched a new IP "BOSS has something new", and teamed up with the Bosses to create a powerful recommendation and selling mode of "short video + live broadcast + trial".

The pandemic accelerated the industrial chain digitalization, the digital business solutions empowered the brands

The normalization of the pandemic has accelerated the digitalization of the retail industry. CI Web provided customers with digital business solutions for pregnancy, infants and children. We in-depth explored the direction of consumer demand, and achieved brand reach, penetration, conversion, loyalty and technology-driven marketing links in all scenarios. Facing the competition in the decentralized traffic field, we used high-viscosity private domain traffic pools and all-scenario accurate traffic pools to meet the needs of brands to reach user groups at multiple points; With service capabilities in digital scene content, we penetrated users in terms of deepened brand awareness, mental occupation, extensive interaction, and word-of-mouth cultivation; Based on mature private domain operation experience and big data insight capabilities, we operated the user life cycle for brands, revitalized brand CRM data assets, and cultivated brand loyalty; Strengthened the advantages of transaction shopping guide, arranged transaction sales, and meet the needs of transaction conversion. Relying on the strong technical driving force of CI Web, we helped brands solve technical problems, improve the efficiency of digital upgrades, and expand SaaS system customization services for businesses such as education and playgrounds with zero-code, multi-scene, cross-platform technical system architecture. During the period, we provided APP development and operation for the ski track project of Zhangjiakou Miyuan Cloud Top Ski Resort in Beijing Winter Olympics.

During the period, the outbreak of the pandemic brought challenges, changes and opportunities to the mother-child industry market. Based on user big data and in-depth cooperation with industry partners, we have dived into the market and continuously output industry research reports. For example, in response to the significant increase in health and hygiene concerns among mother-child groups after the pandemics, CI Web has released the *2021 Mother-Child Family Nutrition Trend Report*, and *2021 China Infants and Children Care Report*. The accurate research and detailed data have provided valuable guidance for brands to quickly adapt to changes and seize new opportunities.

FUTURE PROSPECTS

2021 is the first year of the 14th Five-Year Plan, and it is also the first year to return to development after the pandemic. In terms of improving people's livelihood and well-being, policies and measures such as encouraging third-child births have been continuously improved. The scale of consumption continues to expand, and the national economy is improving steadily. "Creating an open, healthy and safe digital ecosystem" is included in the 14th Five-Year Plan. Looking into the future, various industries have entered the track of high-quality development and transformation, and innovation-driven is still the core driving force for growth. CI Web will continue to work with industry partners to create a win-win environment, build an interconnected ecosystem of the industry chain, enrich intelligent scene experience and segmented services for mother-child families, and meet the growing emotional connection and high-quality life needs of mother-child families.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2021 was approximately RMB93.7 million, representing an increase of approximately 1.6% over approximately RMB92.3 million for the year ended 31 December 2020, which remained relatively stable.

Cost of sales

The Group's cost of sales for the year ended 31 December 2021 was approximately RMB88.5 million, representing an increase of approximately 42.5% over approximately RMB62.2 million for the year ended 31 December 2020, primarily due to the increased efforts put into the promotion and technological support on CI Web and its related APPs, and the increased cost of sales of goods business.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2021 was approximately RMB5.2 million, representing a decrease of approximately 82.8% over approximately RMB30.1 million for the year ended 31 December 2020. During the year ended 31 December 2021, the Group's gross profit margin decreased from approximately 32.6% for the year ended 31 December 2020 to approximately 5.5%, due to higher promotion and technical supporting cost, and the lower gross profit margin of the sales of goods business, while the proportion of the sales of goods business increased, which has a lower gross profit as compared to the advertising business.

Other income and gains

The Group's other income and gains for the year ended 31 December 2021 was approximately RMB7.3 million, representing a decrease of approximately 26.7% compared to approximately RMB10.0 million for the year ended 31 December 2020, primarily due to the government grants provided by the local government was reduced.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 December 2021 was approximately RMB27.3 million, representing a decrease of approximately 45.7% over approximately RMB50.3 million for the year ended 31 December 2020, primarily attributable to the decrease in marketing and promotion expenses and the decrease in the number of marketing personnel.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2021 was approximately RMB12.5 million, representing a decrease of approximately 28.4% over approximately RMB17.5 million for the year ended 31 December 2020, primarily due to the decrease in expenses including professional fee and rent.

Research and development costs

The Group's research and development ("R&D") cost for the year ended 31 December 2021 was approximately RMB15.3 million, representing a decrease of approximately 21.5% over approximately RMB19.5 million for the year ended 31 December 2020, primarily attributable to the decrease in the number of R&D personnel and the decrease in investment in technological development.

Income tax credit

The Group's income tax credit for the year ended 31 December 2021 was approximately RMB0.7 million, representing a decrease of approximately 94.2% over approximately RMB11.5 million of income tax credit for the year ended 31 December 2020, primarily due to the absence of reclassification of financial assets in the current year.

Loss for the year

As a result of the factors described above, the Group's net loss for the year ended 31 December 2021 was approximately RMB55.1 million, representing a decrease of approximately 42.9% over approximately RMB96.5 million of net loss for the year ended 31 December 2020, primarily due to the decrease of marketing and promotion expenses and the loss resulting from the absence of deemed derecognition of financial assets.

Loss per share

For the Year, the loss per share was approximately RMB0.0502 representing a decrease of approximately 46.5% over approximately RMB0.0938 of the loss per share in 2020.

Gearing ratio

As of 31 December 2021, the gearing ratio of the Group, calculated as total liabilities, divided by total assets, was 22.3% (31 December 2020: 12.4%).

Capital expenditure

Our capital expenditure was RMB0.1 million for the year ended 31 December 2021 (31 December 2020: RMB7.7 million). The Group's capital expenditures were mainly related to the purchases of servers, computers, office equipment.

Liquidity and capital resources

As at 31 December 2021, the net current assets of the Group was approximately RMB36.6 million (31 December 2020: approximately RMB47.3 million) and the cash and cash equivalents were approximately RMB27.9 million (31 December 2020: approximately RMB44.1 million).

As of 31 December 2021, the bank borrowings of the Group denominated in RMB were approximately RMB22.5 million (31 December 2020: approximately RMB19.0 million). The Group's bank borrowings as at 31 December 2021 were denominated in RMB and the loans of RMB22.5 million (31 December 2020: approximately RMB10.0 million) were guaranteed by personal guarantees, details are set out in note 27.

The Group has internal budgeting systems in place to ensure that if and when cash is committed to fund major expenditures there is sufficient cash flow to maintain the Group's daily operations and meet all of its contractual obligations.

The Group funds its operations with revenue from its operating activities. The Group also has cash inflows from interest income and collections. Key drivers in the Group's sources of cash are primarily the Group's sales, and their cash inflows depends on the Group's ability to collect payments. There have been no material changes in the Group's underlying drivers during the period under review.

Foreign exchange exposure

The Group's transactions are mainly denominated in RMB. Part of the cash and bank deposits of the Group are denominated in Hong Kong dollars. During the year ended 31 December 2021, the Group did not experience any material impact or liquidity problems in its operation resulting from the changes in exchange rate nor enter into hedging transaction or forward contract arrangement. However, the management closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. In this regard, the Group is not exposed to any significant foreign currency exchange risk in its operation.

Capital structure

The shares of the Company were listed on the GEM of the Stock Exchange on 8 July 2015 and the listing of shares of the Company has been transferred to the Main Board of the Stock Exchange on 8 October 2018. The capital structure of the Company comprised ordinary shares and 1,025,662,000 shares in issue as at 31 December 2021.

Capital commitment

As at 31 December 2021, the Group had capital commitment of approximately RMB49.0 million (including the construction cost of the target land and various government administrative fees and taxes) (31 December 2020: RMB52.3 million).

Employees, training and remuneration policy

The remuneration committee of the Company will review and determine the remuneration and compensation packages of Directors with reference to their responsibilities, workload, and the time devoted to the Group and the performance of the Group. In general, the Group determines employees' salaries based on their performance and length of services. The Board believes the salaries and benefits provided to the employees are competitive with local market standards. The Group also contributes to the social insurance in the PRC.

The Group has implemented training for new employees during their course of employment in order to ensure that employees are able to meet the job requirements. In addition, the Group will occasionally arrange internal and external trainings for the Group's employees. For external trainings, external speakers who have extensive experience in information technology may be invited to attend the Group's office to perform the training, and for internal trainings, the topics may include finance, accounting, risk management or information technology and such trainings will be conducted by the relevant department. The Group considers these on-job trainings are necessary for the employees to handle issues which may arise in their day to day operations and can enhance their ethic and morale.

As at 31 December 2021, the Group had a total of 118 employees including executive Directors (31 December 2020: 216 employees). Total staff costs were approximately RMB28.7 million for the year ended 31 December 2021 (31 December 2020: approximately RMB28.6 million).

Material acquisitions and disposals of subsidiaries

During the year ended 31 December 2021, there was no material acquisition or disposal of subsidiaries by the Group.

Event after the reporting period

On 30 March 2022, the Company entered into an amendment and restatement deed (the "Amendment and Restatement Deed") with the convertible note holders to extend the maturity date to 30 April 2023 for convertible notes with principal amount of HK$14,500,000 (equivalent to RMB11,855,000) and amend relevant terms of such convertible notes, subject to and effective from fulfilment of conditions precedent and conditions subsequent in the Amendment and Restatement Deed signed on 30 March 2022. The Company will repay an agreed portion of the convertible notes by 30 April 2022. For details, please refer to the announcement dated on 30 March 2022.

Charges of assets

As at 31 December 2021, the Group did not make any pledged bank deposit (31 December 2020: Nil).

Contingent liabilities

As at 31 December 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (year ended 31 December 2020: nil).

ISSUE OF CONVERTIBLE NOTES UNDER GENERAL MANDATE

On 9 February 2021 and 15 February 2021, the Company entered into subscription agreements and supplemental agreements with Ellwood International Ltd and nine other subscribers (being individual professional investors or companies ultimately owned by professional investors) (the "Investors"), pursuant to which the Company conditionally agreed to issue and Ellwood International Ltd and the other subscribers conditionally agreed to subscribe for convertible notes in an aggregate principal amount not exceeding HK$35,000,000 (the "Convertible Notes") at an initial conversion price of HK$0.24 per convertible share. The Company entered into an amendment and restatement deed dated 30 March 2022 (the "Amendment and Restatement Deed") with the Investors to extend the maturity date of the Convertible Notes to 30 April 2023 and the initial conversion price amended to HK$0.095 per convertible share with principal amount reduced to HK$14.5 million after partial repayment of the outstanding principal amount of the Convertible Notes, subject to and effective from fulfilment of conditions precedent and conditions subsequent in the Amendment and Restatement Deed. For details of the proposed amendment, please refer to the announcement of the Company dated 30 March 2022.

Upon the proposed amendment becomes effective and assuming the full exercise of the Convertible Notes, the Company will allot and issue up to 152,631,579 conversion shares based on the conversion price which will be calculated in accordance with the general mandate granted to the Directors at the annual general meeting held on 11 June 2021.

During the year ended 31 December 2021, all of the proceeds had been used for business expansion and investment in China and Southeast Asia in technology, direct to consumer and advertising verticals related to the mother-child industry, backend technology enhancement, marketing expenses and general working capital purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ASSETS

As at 31 December 2021, details of financial assets designated at fair value through other comprehensive income are as follows:

	Name of the relevant company	Proportion of shares held as at 31 December 2021	Investment cost	Fair value of investment as at 31 December 2021[1]	Proportion of investment in 2021 to the total asset of the Company as at 31 December 2021	Principal Business	Change of fair value of investment comparing with 31 December 2020
1	Nanjing Hongdou Information Technology Company Limited* (南京紅豆信息技術有限公司)	12.30%	RMB15,000,000.00	RMB14,637,000.00	4.24%	H5 games "Her Majesty"(女皇陛下) and "National Palace"(全民宮斗) developed by Hongdou Information successfully launched on Tencent QQ Games and Qzone Gaming Platform.	RMB-2,214,000.00
2	Shanghai Baiyi Animation Cultural Broadcasting Company Limited* (上海百逸動漫文化傳播有限公司)	10.00%	RMB10,000,000.00	RMB0.00	0.00%	Baiyi has its own professional animation team and can develop, produce, and distribute 2D/3D cartoon and peripheral toy products. Sales channels have expanded to all first and second-tier cities in PRC with more than 100 distributors, covering thousands of primary schools and terminal sales outlet.	RMB-2,400,000.00
3	DEEPFOLIO PTY LTD	18.00%	USD72,542.00	RMB107,400.00	0.03%	Provision of a professional investment solution for artificial intelligence empowerment. Investors can use the most advanced artificial intelligence technologies to develop quantitative investment strategies and manage their own investment.	RMB90,500.00
4	DYNAMIC PIXEL WORKS PTY LTD	18.00%	USD72,563.00	RMB0.00	0.00%	Provide assistance in the animation production process with artificial intelligence technologies in order to make the process easier and faster and significantly reduce the cost of animation production.	RMB-200.00
5	DAILY ROBOTICS PTY LTD	18.00%	USD72,532.00	RMB3,500.00	0.001%	Use artificial intelligence technology to identify scenarios and objects with accuracy rate as high as 98% and achieves continuous improvement of accuracy by using machine learning technology under manual intervention, and the provision of API and output technical services for various businesses and industries.	RMB2,700.00
6	Nanjing Depth Element Artificial Intelligence Technology Development Company Limited* (南京深度元素人工智能技術研發有限公司)	10.00%	RMB5,000,000.00	RMB2,800,000.00	0.81%	Provision of artificial intelligence-based technology: item identification, human body identification, path recognition, behavior recognition; and the provision of analysis services based on the above identification technologies: crowd analysis, business analysis, personalized recommendation and marketing, intelligent shopping guide.	RMB-1,400,000.00

	Name of the relevant company	Proportion of shares held as at 31 December 2021	Investment cost	Fair value of investment as at 31 December 2021[1]	Proportion of investment in 2021 to the total asset of the Company as at 31 December 2021	Principal Business	Change of fair value of investment comparing with 31 December 2020
7	Nanjing Shenkong Vision Artificial Intelligence Technology Development Company Limited* (南京深空視線人工智能技術研發有限公司)	17.20%	RMB10,000,000.00	RMB12,212,000.00	3.54%	Provision of auto-cruise, path planning and other functions for robots with the use of self-developed vSLAM system combined with artificial intelligence technology; and human tracking and educational interaction with natural language understanding with the use of monocular camera.	RMB2,408,000.00
8	Nanjing Zhiren Cloud Information Technology Company Limited* (南京智人雲信息技術有限公司)	17.20%	RMB10,000,000.00	RMB3,784,000.00	1.10%	Principal activities are the provision of container cloud management platform, artificial intelligence cloud platform, public cloud and private cloud services based on microservices.	RMB-688,000.00
9	Nanjing Free Chain Information Technology Company Limited* (南京自由鏈信息技術有限公司)	17.20%	RMB10,000,000.00	RMB9,288,000.00	2.69%	Establishment of interconnections between internet devices in different regions with its unique solutions, construction of decentralized transmission network to achieve independent collaboration and the expansion of business scale. Such kind of internet is not subject to the limitation of computing power and storage, thus empowers the internet with strong expansion capabilities to achieve true decentralization, openness, self-motivation, privacy and security.	RMB0.00
10	Nanjing Luobo Information Technology Company Limited* (南京蘿播信息技術有限公司)	15.00%	RMB12,000,000.00	RMB10,200,000.00	2.95%	Provision of educational, marketing and social services to its customers across the network for baby-children businesses through the distribution of audio and video contents and the management capabilities of the communities, effectively expanding and making up for the service capabilities of major customers of CI Web under the pan-network conditions.	RMB2,250,000.00
11	Nanjing Suichuang Xiupu Information Technology Company Limited* (南京速創秀普信息科技有限公司)	10.00%	RMB10,000,000.00	RMB3,700,000.00	1.07%	Provision of micro-service cloud application platform, which is a one-stop PaaS platform service designed for mother-child enterprises, providing application cloud hosting solutions to assist enterprises simplify application lifecycle management such as deployment, control, operation and maintenance; and the provision of micro-service framework, compatible mainstream open source ecosystem, specific development framework and platform without binding. Suichuang Xiupu is able to assist the small and medium-sized mother-child enterprises that are connected to CI Web to quickly establish distributed applications based on micro-service structure.	RMB-600,000.00

	Name of the relevant company	Proportion of shares held as at 31 December 2021	Investment cost	Fair value of investment as at 31 December 2021[1]	Proportion of investment in 2021 to the total asset of the Company as at 31 December 2021	Principal Business	Change of fair value of investment comparing with 31 December 2020
12	Nanjing Xinmenghui Education Technology Company Limited* (南京芯萌匯教育科技有限公司)	10.00%	RMB5,000,000.00	RMB1,800,000.00	0.52%	Leading service provider for online baby and children education. It provides interactive learning systems and contents to families with babies and children through a combination of unique contents, technology and system, effectively extending the online educational service capabilities of CI Web to those families.	RMB-1,700,000.00
13	Guangzhou Muyun Electronic Commerce Co., Ltd.* (廣州沐雲電子商務有限公司)	16.00%	RMB4,000,000.00	RMB3,840,000.00	1.11%	Provision of services relating to quickly set up a foreign trade independent website of global sales for vendors and offer technical support for corporate and individual online shop and operators and integrated solutions from website building to management and operation. The business is also divided into B2C cross-border e-commerce independent station and B2B export trade independent station.	RMB0.00
14	Guangzhou Baxianguohai Information Technology Co., Ltd.* (廣州八仙過海信息科技有限公司)	18.00%	RMB5,000,000.00	RMB5,220,000.00	1.51%	Establishment of an omnichannel marketing and ordering platform for enterprises. This platform helps enterprises to develop collaboration between upstream and downstream business and make real-time data decision in six aspects of order management, inventory management, fund settlement, customer operations, business reporting and procurement management.	RMB-180,000.00
15	Nanjing Xianju Information Technology Co., Ltd.* (南京先巨信息技術有限公司)	14.85%	RMB10,000,000.00	RMB8,464,500.00	2.45%	Provision of hospital management system platform in four aspects: hospital information and management open platform, mobile clinic, intelligent monitoring module and chronic disease management module. This platform provides all-round medical care from patient admission to discharge; from hospital diagnosis to home monitoring; from computer to mobile terminal; and from infant health monitoring to smart retirement.	RMB664,500.00
16	Nanjing Youchao Information Technology Co., Ltd.* (南京優潮信息技術有限公司)	19.00%	RMB7,000,000.00	RMB6,270,000.00	1.82%	Provision of enterprise online education platform which focuses on the training of product managers. The business is divided into three aspects: enterprise orientation training, internal enterprise staff training and vocational skill training. A number of well-known internet enterprise product directors acted as lecturers. Using platform technology, users can take online open classes and participate one-on-one tutoring after school so as to achieve offline practical training, internet project practice and innovative teaching processes with internships in famous enterprises.	RMB190,000.00

	Name of the relevant company	Proportion of shares held as at 31 December 2021	Investment cost	Fair value of investment as at 31 December 2021[1]	Proportion of investment in 2021 to the total asset of the Company as at 31 December 2021	Principal Business	Change of fair value of investment comparing with 31 December 2020
17	Nanjing Liqi Lishi Information Technology Co., Ltd.* (南京立啟信息技術有限公司)	17.00%	RMB6,000,000.00	RMB5,780,000.00	1.67%	Provision of integrated platform system for digital currency exchanges based on block chain technology. This system provides services of issuance, management and trading of digital currencies. On the basis of fully supporting the Bitcoin trading system, this system further improves its digital currency trading mechanism with block chain query and management functions and continuously optimizes its core functions and increases the comprehensive functional advantages of the product by enhancing of security protection level, leveraged financial transaction system and platform promotion and operation mechanism.	RMB850,000.00
18	Nanjing Qianguang Information Technology Co., Ltd.* (南京千光信息技術有限公司)	17.20%	RMB10,000,000.00	RMB14,448,000.00	4.18%	Provision of user-centered system for enterprise intelligence marketing. Based on seven business modules of social business strategy, social experience management, social branding and traffic management, social sales promotion, loyalty operations management, social product innovation and social advertising services, a one-stop platform for enterprise mobile marketing is established to create a rich, open and intelligent mobile marketing ecosystem.	RMB3,096,000.00
19	Nanjing Yuanhui Information Technology Co., Ltd.* (南京遠匯信息技術有限公司)	17.20%	RMB10,000,000.00	RMB8,600,000.00	2.49%	Provision of software development tool system based on artificial intelligence technology. For those who are not capable of programming, this system can help them to develop internet products easily through PC client, development tool website and mobile APP mode.	RMB1,032,000.00
20	Nanjing Youke Workshop Information Technology Co., Ltd.* (南京優客工坊信息技術有限公司)	17.20%	RMB10,000,000.00	RMB14,620,000.00	4.23%	Provision of knowledge sharing platform. This platform provides computer-related professional and technical knowledge for corporate employees and individual members and provides users with mutual learning modules, so that everyone can be a teacher. Members who obtained platform instructor certification can also organize courses to earn commissions.	RMB3,612,000.00

	Name of the relevant company	Proportion of shares held as at 31 December 2021	Investment cost	Fair value of investment as at 31 December 2021(1)	Proportion of investment in 2021 to the total asset of the Company as at 31 December 2021	Principal Business	Change of fair value of investment comparing with 31 December 2020
21	Nanjing Mengmiao Education Technology Co., Ltd.* (南京萌苗教育科技有限公司)	18.00%	RMB8,000,000.00	RMB16,020,000.00	4.64%	Provision of IM system with complete solution customized for internet education industry. Products are in line with the education industry, suitable for practical educational scenarios, and truly meet the needs of the teachers. In the form of PAAS+SAAS service, the product itself serves as a platform to provide SDK for third parties. At the same time, it also provides services for different users to develop different functions based on its own platform.	RMB2,700,000.00
22	Nanjing Suyun Xiupu Information Technology Co., Ltd.* (南京速雲秀普信息科技有限公司)	9.46%	RMB3,000,000.00	RMB5,959,800.00	1.73%	Development of a CRM system for training institutions. This system also applies its self-developed face recognition technology to specific CRM scenarios, achieving an innovative combination of "Face Recognition + Education CRM System".	RMB2,159,800.00
23	Nanjing Duomai Information Technology Company Limited* (南京多麥信息科技有限公司)	18.08%	RMB16,000,000.00	RMB11,571,200.00	3.35%	A service company for mother-child businesses. It provides assistance for privatized customer assets during the Internet era, expanding the Internet customer base and improving operational efficiency through its products and services. In particular, through the provision of integrated solutions such as micromalls, new retailing and mini programs, it provides assistance for the transformation and upgrade towards smart business for small and medium-sized mother-child enterprises, thus helping those enterprises achieve smart business with technology-driven business innovation. Duomai Information is able to expand CI Web's online and offline retailing channels for large business (大B) customers effectively, therefore playing an important role in securing the CI Web's existing business customer base.	RMB-1,265,600.00
24	Nanjing Yunqulu Network Technology Company Limited* (南京雲曲率網絡科技有限公司)	17.20%	RMB10,000,000.00	RMB7,052,000.00	2.04%	A leading mother-child business incubator company with branches in Australia and the United States. Its core role is to provide effective incubator services for startup mother-child enterprises on the CI Web. Similar to the innovative factory in the mother-child industry, Yunqulu provides angel funding, technical support and staff training for the startup mother-child enterprises.	RMB-2,064,000.00

	Name of the relevant company	Proportion of shares held as at 31 December 2021	Investment cost	Fair value of investment as at 31 December 2021(1)	Proportion of investment in 2021 to the total asset of the Company as at 31 December 2021	Principal Business	Change of fair value of investment comparing with 31 December 2020
25	Nanjing Baicheng Medical Technology Company Limited* (南京柏橙醫療科技有限公司)	17.20%	RMB16,000,000.00	RMB5,332,000.00	1.54%	Provision of one-stop integrated information system construction for hospitals, and the construction of end-to-end medical service platform covering pre-diagnosis, in-diagnosis and post-diagnosis stages. Having leading system capabilities and product advantages in cloud-based family medical and smart medical areas, Baicheng Medical is able to assist CI Web to better connect and serve the mother-child families through the internet.	RMB-9,976,000.00
26	Nanjing Jufeng Engine Information Technology Company Limited* (南京颶風引擎信息技術有限公司)	18.10%	RMB13,000,000.00	RMB15,565,300.00	4.51%	Nanjing Jufeng Engine provides a high performance, high efficiency, drag-and-drop zero-code application development ecosystem based on cloud native.	RMB2,895,900.00
27	Nanjing Duozan Health Technology Company Limited* (南京多贊健康科技有限公司)	17.07%	RMB13,000,000.00	RMB8,022,900.00	2.32%	Committed to establish the best healthy pregnancy management and knowledge service platform in China. It provides the best paid knowledge and online medical services to Chinese families, enabling the provision of paid knowledge and medical services to more families by the national obstetricians and pediatricians with the removal of institutional constraints.	RMB-5,291,700.00
28	Shanghai Shijiu Information Technology Co., Ltd.* (上海視九信息科技有限公司)	0.82%	RMB650,000.00	RMB492,000.00	0.14%	Provision of system integration, application development and operation services for devices such as smart TV set-top boxes based on its leading browser technologies such as HTML5.	RMB0.00
29	Shanghai Beijia Network Technology Co., Ltd.* (上海蓓嘉網絡科技有限公司)	5.00%	RMB2,500,000.00	RMB0.00	0.00%	The company cooperated with a number of maternal and child service platforms including ci123.com to launch a maternal and child alliance (W+Club), aiming to provide one-stop knowledge, services, protection and welfare required for childcare.	RMB-200,000.00

Notes:

(1) Further details of the fair value measurement of the Group are set out in note 37 of the consolidated financial statements of the annual report. As at the date of this report, the Company has not received any interest distribution for the year ended 31 December 2021.

As at 31 December 2021, the details of financial assets at fair value through profit or loss and the details of significant investment with a carrying value more than 5% of the total assets of the Group are as follow:

Name of the relevant company	Proportion of shares held as at 31 December 2021	Investment cost	Fair value of investment as at 31 December 2021	Proportion of investment in 2021 to the total asset of the Company as at 31 December 2021	Principal Business	Unrealised gain/(loss) on change in fair value for the year ended 31 December 2021	Realised gain/(loss) for the year ended 31 December 2021	Dividend income for the year ended 31 December 2021
CCLOUD TECH LIMITED	17.64%	HK$50,000,000.00	RMB39,819,600.00	11.53%	Technology development and operation combining block chain technology with the entity economy and the provision of cross-border consumer service platform, cross-border global education platform, cross-border new retail business platform, block chain information service and technology trading platform, high-speed and cross-chain trading system based on intelligence contracts, system testing for block chain security system and block chain service platform.	RMB-5,708,000.00	–	–

The Company continued to track and monitor its investments and conduct third-party professional evaluation. As most of the Company's investments are emerging market growth companies, some of the entities which the Company invested are in the stage of research and development. The Company considers its investment management in the following aspects:

- effective output from the application of the industrial chain, including technological output;
- operating condition, including the achievement of business objectives, standardization of the corporate governance structure, and the stability of core talents; and
- judgment on the future growth prospects of the industry it located and technology market.

With technological advancement and the changes in needs and behaviors of the new generation consumers in recent years, our investment helps to achieve the upstream and downstream digitalization of the industrial chain. It is also beneficial for us to consolidate new technology and service application scenarios to help brands upgrade their traditional business models, the overall investment of the Group is in line with our strategic planning direction.

MANAGEMENT DISCUSSION AND ANALYSIS

LOANS TO OTHER ENTITIES

The balance represents loans extended to unrelated third parties, bearing interest rates of 6.0% to 8.0% per annum for periods of 12 to 36 months. The entering into these loan facility agreements with these third parties are for the long-term interest of the Group.

Details of loans to other entities as at 31 December 2021 are set out below:

	Name of the relevant company	Borrowing made to the relevant company as at 31 December 2021	Annual interest rate as at 31 December 2021	Term of loan	Investment Guarantee as at 31 December 2021	Exercise of the priority right of the investment shares	Fair value of investment as at 31 December 2021	Proportion of investment to the total asset of the Company as at 31 December 2021	Principal Business	Accumulated interest income for the year ended 31 December 2021
1	Nanjing Qianyu Information Technology Company Limited* (南京千魚信息技術有限公司)	RMB12,000,000.00	6%	36 months	Guaranteed by an A share listed company	No	RMB11,304,227.07	3.27%	A major platform for parent-child consumption.	RMB2,880,000.00
2	Beijing Hongwei Technology Company Limited* (北京宏偉科技有限公司)	RMB4,000,000.00	8%	24 months	N/A	No	RMB4,055,468.47	1.17%	Providing equipment support to medical institution and developing online platform for health consultation.	RMB1,338,301.37

	Name of the relevant person	Borrowing made to the relevant person as at 31 December 2021	Term of loan	Investment Guarantee as at 31 December 2021	Carrying value of investment as at 31 December 2021	Proportion of investment to the total asset of the Company as at 31 December 2021	Accumulated interest income for the year ended 31 December 2021
1	顧能國	RMB326,000.00	48 months	N/A	RMB299,228.50	0.09%	RMB0.00
2	王洪賓	RMB130,800.00	24 months	N/A	RMB120,058.55	0.03%	RMB0.00
3	馬彥杰	RMB76,000.00	24 months	N/A	RMB69,758.79	0.02%	RMB0.00
4	張煒能	RMB87,200.00	24 months	N/A	RMB80,039.03	0.02%	RMB0.00

In 2020, the Company entered into the Loan Contract with Shenzhen Feishikang Technology Company Limited (hereinafter referred to as "Shenzhen Feishikang"), under which the Group provided a loan of RMB1 million to Shenzhen Feishikang with an interest rate of 6% per annum, and the debt was guaranteed by 7 shareholders of Shenzhen Feishikang according to their shareholding ratio. In 2021, the Group entered into the Repayment Agreement with 7 shareholders of Shenzhen Feishikang, which provides for the repayment of the principal and interest of total RMB1.06 million of the loan debt payable by Shenzhen Feishikang to the Company by the 7 shareholders in accordance with the guarantee ratio within five years. As at 31 December 2021, the Group has received repayment of RMB440,000. Three of the shareholders paid off their responsible part of the loan. Details of the pending repayment of RMB620,000 are noted as above.

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT OBJECTIVES AND POLICIES

The Group is a vertical online platform for the CBM market. In relation to its business development, family-related business of the Group refers to business that uses Internet technology to address the needs of new generation home consumers as target customers, such as early education, entertainment, health and services. On the basis of its existing core business, the family-related business of the Group still adheres to the original family-based user groups of its CBM platform, and forms a new maternal and child ecological layout with diversified maternal and child family services. It also extends the traditional and single maternal and child services to several cross-sector segments including health, education, finance and entertainment by way of investment and strategic cooperation, further expanding the types of family services and customer reach, prolonging user life-cycle, and meeting the increasing long-tail demands from the mother-child groups.

There have been rapid changes in the Internet industry and the competition in online advertising and e-commerce market and related O2O business is intense. The Group intends to expand into new core sectors such as new socialized retail, family medical, family education and internet technology with external empowerment. Leveraging the investments in the companies engaged in relevant new sectors, the Company will be able to reduce its costs to a certain extent and enter such new sectors in a quicker manner, as well as gain technology reserves and Internet traffic from new resources.

As for its investment strategy, in line with its principal business and for its future business development, the Company targets on investments in entities which are principally engaged in CBM and family related business chain and related technology research and development. The Company has adopted investment policies which it will take into account when making its investment decisions. In general, the Company prefers long-term investments as opposed to short-term ones and usually invests in targeted entities for more than one year. For the Company's mode of investment, the Company may adopt equity investments through acquisition of shareholdings in the targeted entities or loan financings by providing facilities to the targeted entities depending on, among others, potential rate of return which generally shall be not less than 6% per annum or the prevailing one-year fixed deposit interest rate published by the People's Bank of China (whichever is higher), strategic cooperation with the invested entities of the company, negotiation with the counterparties as well as compliance with legal and regulatory requirements. In order to reduce its participation in the operation and management of its investments so as to focus on its existing business, the Company generally does not invest in more than 20% shareholding in the targeted entities.

In addition to financial returns, the Directors expect that the investments will create synergies to the Group's business in terms of upgrade in technologies, enrichment of contents as well as expansion of coverage of value-added services which in turn result in enhancement of operational efficiency, user experience and user base. Depending on the business natures of the invested companies, the Group usually requires the invested companies to share their relevant technologies to offer selected contents such as games, animations and audio and video contents of them for the Platform, to share user data and network for promotion of the Group's APPs, and to support the Group's provision of value-added services to its users. The Group has a certain scale of investment activities. Failure to promptly and effectively manage investment risks may affect realization of investment strategies. The risk resulting from adverse movements in industry market could also impact the Group's investment.

The Group has formed an investment team (the "team"). The team's member consisted of the Group's chief executive officer, chief financial officer, marketing director, technical director and operation director who are experienced in the Internet industry. The team has been continuously paying attention to the market influence and technological development of the investment areas related to the CBM business chain. The Group continuously monitor the status of business development and financial exposure of investees and conducts regular assessments. The Group also strictly requires the invested entities to use the proceeds of the Group's investments for the sole purpose of the planned business development projects as agreed by the Group.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

DIRECTORS

Executive Directors

Mr. Cheng Li (程力), aged 39, is an executive Director and our chief executive officer. Mr. Cheng was appointed as a Director on 11 February 2015. He is also a director of Nanjing Xihui and Nanjing Xinchuang, and a member of the remuneration committee. Mr. Cheng is responsible for management of the day-to-day operations of our Group. Mr. Cheng joined our Group as a graduate program engineer of Nanjing Xinchuang in April 2005. Mr. Cheng has more than 15 years of working experience in the information technology industry. During his employment with our Group in the past years, Mr. Cheng was initially responsible for website development and maintenance and has been gradually promoted to the management level of our Group responsible for overseeing the general operation and management of our Group. Mr. Cheng obtained a bachelor degree in management majoring in e-commerce in June 2006 from Southeast University (東南大學) in the PRC. He obtained his Master of Business Administration degree from China Europe International Business School in November 2017.

Mr. Hu Qingyang (胡慶楊), aged 45, is an executive Director. Mr. Hu was appointed as a Director on 11 February 2015. Mr. Hu is responsible for management of the day-to-day operations of our Group. Mr. Hu has more than 15 years of working experience in relation to education services (including on-line education and education project management). From April 2004 to January 2008, Mr. Hu worked as the vice general manager of Jiangsu Wenxue Education Development Company Limited (江蘇問學教育發展有限公司) responsible for overseeing the planning and execution of education projects. Mr. Hu joined our Group in April 2008 as the vice president of Nanjing Xinchuang mainly responsible for developing our CBM educational information and products. Mr. Hu completed a long-distance learning course in economic administration (大專班經濟管理專業) issued by the Correspondence Institute of the Party School of the Central Committee of C.P.C (中共中央黨校函授學院) in the PRC in June 2007. Mr. Hu was awarded the title of excellent association staff (優秀學會工作者) by Nanjing Association of Social Science (南京市社會科學界聯合會) in December 2004.

Mr. Zhang Lake Mozi, aged 36, is an executive Director, chairperson, chief financial officer and company secretary. Mr. Zhang was appointed as a Director on 11 February 2015. Mr. Zhang was appointed as the chairperson of the Board and the chairperson of Nomination Committee on 31 July 2020. Mr. Zhang is responsible for the overall management, strategic planning and management of finance and investors' relationship of our Group. Mr. Zhang was a director of Kingdom Music Education Group Limited in 2017. Mr. Zhang was a director of CHINA MA Investment Limited (香港中馬投資有限公司) which he co-founded in August 2012. From February 2011 to August 2012, Mr. Zhang worked as a marketing director in Beijing Xuyihe Culture Media Co., Ltd. (北京旭羿和文化傳媒有限公司). Mr. Zhang obtained a bachelor degree of arts majoring in economics and minoring in mathematics from the University of Alberta in Canada in June 2009. Mr. Zhang has obtained a postgraduate degree from the EMBA program at Guanghua School of Management of Peking University in January 2021.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

Non-executive Directors

Ms. Li Juan (李娟), aged 43, is a non-executive Director and the founder of our Group. Ms. Li is the spouse of Mr. Wu Haiming, a non-executive Director. She is also a director of Shining World Investments Limited, Star Universal Holdings Limited and Xibai (Nanjing) Information Technology Company Limited (矽柏(南京)信息技術有限公司), and a member of the audit committee. Ms. Li is responsible for supervising the overall management and strategic planning of our Group. Ms. Li was appointed as a Director on 13 October 2014. Ms. Li resigned as the chairperson of the Board on 31 July 2020 but remained as the non-executive Director of the Company. Ms. Li currently works as a project manager with China Hewlett–Packard Co., Ltd. (中國惠普有限公司), which she has joined since October 2006. Ms. Li obtained a bachelor degree of science majoring in computer science and technology from China University of Geoscience (中國地質大學) in June 2000.

Mr. Wu Haiming (吳海明), aged 54, is a non-executive Director. Mr. Wu was appointed as a Director on 11 February 2015. Mr. Wu is the spouse of Ms. Li Juan, our chairperson and a non-executive Director. Mr. Wu is responsible for formulating and directing the overall operations and development strategy of our Group. Mr. Wu has been participating in the management of our Group since our first operating subsidiary, Nanjing Xinchuang, was established in April 2005. Mr. Wu had worked as an engineer and program manager of Lightwaves 2020, Inc. in Silicon Valley of the United States. Mr. Wu has more than 15 years of working experience in the information technology industry. Mr. Wu obtained a bachelor degree majoring in radio technology in July 1990, and a PhD degree in engineering majoring in physical electronics and optoelectronics in April 1997, both from Southeast University (東南大學) in the PRC respectively. From February 1997 to December 1998, Mr. Wu was a post-doctoral fellow and research student in the University of Yamanashi in Japan and from April 2000 to March 2001, Mr. Wu worked as a researcher in the Research Institute of Innovative Technology for the Earth (RITE) in Kyoto, Japan. Mr. Wu was appointed as the director of the key laboratory for the development and study of science and media technology of children in Suzhou (蘇州市兒童發展與學習科學媒體技術重點實驗室) by the Suzhou Research Institute of Southeast University (東南大學蘇州研究院) in December 2007.

Mr. Zhang Haihua (張海華), aged 54, is a non-executive Director. Mr. Zhang was appointed as a Director on 31 July 2020. Mr. Zhang has been serving as a non-executive director of Beijing Taikong Works Culture Development Co., Ltd. (北京華映星球文化發展股份有限公司) (NEEQ Stock Code: 836846) since May 2020. He has been acting as a partner and the general manger of Shanghai AMVC Culture Investment Management Center (上海早鳥文化投資管理中心) since January 2020. From August 2011 to December 2019, Mr. Zhang served as a manager of CHS Media Co., Ltd. (強視傳媒有限公司). From January 2008 to July 2011, Mr. Zhang worked in Zhejiang Hengdian TV and Film Production Co., Ltd. (浙江橫店影視製作有限公司) as the chief executive officer and the supervisor of the TV drama division. From March 2007 to December 2007, he worked as the general manager of Zhejiang Hengdian Catering Management Co., Ltd. (浙江橫店餐飲管理有限公司). From February 2004 to February 2007, Mr. Zhang worked as the general manger of Zhejiang Hengdian World Studios Management Service Co., Ltd. (浙江橫店影視城管理服務有限公司) and the responsible person of the Hengdian Performers Association (橫店演員公會). From March 2002 to January 2004, Mr. Zhang worked as the general manager of Shandong Heze Prataculture Development Co., Ltd. (山東菏澤草業發展有限公司) and Shandong Heze Husbandry Development Co., Ltd. (山東菏澤畜牧發展有限公司). From March 2000 to February 2002, he acted as the general manager of Hengdian Ecological Engineering Co., Ltd. (橫店生態工程有限公司). From August 1997 to February 2000, Mr. Zhang served as the office supervisor of Zhejiang Hengdian World Studios Co., Ltd. (浙江橫店影視城有限公司). From August 1988 to July 1997, he acted as the secretary of Youth League Committee of the Bureau of Education of Dongyang City, Zhejiang Province (浙江省東陽市教育局). Mr. Zhang graduated as an undergraduate from Zhejiang Wanli University in China in 1988, majoring in mechatronics. He graduated from the School of Management, Shanghai Jiaotong University in 2003, majoring in business administration.

Independent Non-executive Directors

Mr. Wu Chak Man (胡澤民), aged 49, is an independent non-executive Director. Mr. Wu was appointed as a Director on 19 June 2015. Mr. Wu is the chairperson of the audit committee. Mr. Wu has been appointed since 30 October 2014 and is a director of MFund GP. Ltd., which is involved in mobile internet investment in the PRC. Mr. Wu has been appointed since 16 June 2014 and was an independent non-executive director of Tian Ge Interactive Holdings Limited, a HK-listed company engaged in operating social video platforms in the PRC (stock code:1980) until 2018. Mr. Wu was an independent non-executive director of VCREDIT Holdings Limited which is a HK-listed company (stock code: 2003) from 7 June 2018 to 18 June 2021. Mr. Wu worked as the chief executive officer of 91 Wireless Websoft Limited (now known as Baidu 91 Wireless), a company engaged in the development and operating of smartphone application distribution platforms from January 2011 to February 2014 and was responsible for the overall management and strategic planning of the company. Mr. Wu joined NetDragon group in 2004 and acted as the vice president and chief financial officer of NetDragon Websoft Inc. ("NetDragon"), a company whose shares were initially listed on the GEM in November 2007 and were subsequently listed on the main board of the Stock Exchange (stock code: 0777) in 2008. NetDragon is principally engaged in online games and mobile Internet business, and hence he has more than 6 years of financial management experience in public company. Mr. Wu retired from the position of vice president and chief financial officer of NetDragon in 2013. From 1995 to 1999, Mr. Wu served as the vice president, in charge of marketing, in Beco Biological Research Inc. a company engaged in health food and nutrition supplements business. Mr. Wu graduated with a bachelor degree in economics from the University of California, Berkeley in the United States in August 1994, and a master degree in business administration from Duke University in the United States in May 2004.

Mr. Zhao Zhen (趙臻), aged 53, is an independent non-executive Director. Mr. Zhao was appointed as a Director on 19 June 2015. Mr. Zhao is a member of the remuneration committee and the nomination committee. Mr. Zhao worked as a Manager of System/Software Engineering in Hewlett-Packard from March 2004 to March 2008. Mr. Zhao obtained a bachelor degree majoring in aero-engine from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) (formally known as Nanjing Aeronautics College (南京航空學院)) in July 1990. He obtained a master degree of science in January 1996 and a master degree of science in October 1997 both from Rutgers, The State University of New Jersey in the United States.

Mr. Ge Ning (葛寧), aged 63, is an independent non-executive Director. Mr. Ge was appointed as a Director on 19 June 2015. Mr. Ge is the chairperson of the remuneration committee and a member of the audit committee and the nomination committee. From 2005 to 2017, Mr. Ge was a director of Wiscom System Co., Ltd. (江蘇金智科技股份有限公司), a PRC company listed on the Shenzhen Stock Exchange (stock code: 002090), which is principally engaged in the design, development, manufacturing and operation of power grid business. Mr. Ge was also the chairman of Jiangsu Jinzhi Holding Co., Ltd., (江蘇金智集團有限公司), a shareholder of Wiscom System Co., Ltd. (江蘇金智科技股份有限公司), until 2017. Mr. Ge graduated from Nanjing Science College (南京工學院) (now known as Southeast University (東南大學)) and completed a two-year course in electronic technology in January 1981. Mr. Ge completed an executive MBA programme and was awarded a master degree of business administration by China Europe International Business School (中歐國際工商學院) in November 2004.

Save as disclosed above, there are no other directorships held by our Directors in any listed company whose securities are listed on any stock exchange in Hong Kong or overseas within the three years preceding the date of this annual report.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

SENIOR MANAGEMENT

Mr. Zheng Chen (鄭晨), aged 33, is the technology director of our Company and is responsible for planning strategic development and management of the development department of our Group. Mr. Zheng joined our Group in June 2012. Mr. Zheng obtained a bachelor degree of engineering majoring in software engineering in Nanjing University (南京大學), the PRC in June 2012.

Ms. Wei Honghong (韋紅紅), aged 36, is the sales director of our Company and is responsible for the overall planning and management of advertising sales and customer services of our Group. Ms. Wei joined our Group in July 2007. Ms. Wei obtained her bachelor degree in management majoring in information management and information system from Nanjing University (南京大學) in the PRC in June 2007.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company believes that good corporate governance practices are very essential for maintaining and promoting investor confidence as well as the sustainable growth of the Company. The Board sets appropriate policies and implements relevant corporate governance practices with a view to further develop our business and achieve business growth. The Board is committed to strengthening the Company's corporate governance practices, to ensure transparency and accountability of the Company's operations.

The Group has adopted the code provisions set out in the corporate governance code (version up to 31 December 2021) (the "CG Code") contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). In the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code for the year ended 31 December 2021.

Furthermore, the Board will adopt the new CG Code (version with effect from 1 January 2022), the requirement under which shall apply to the Company's corporate governance report for the financial year ending 31 December 2022.

The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors' dealings in securities of the Company. Having made specific enquiry to all the Directors of the Company, the Directors confirmed that they have complied with the Model Code during the year ended 31 December 2021.

WRITTEN GUIDELINES FOR RELEVANT EMPLOYEES IN RESPECT OF THEIR DEALINGS IN SECURITIES

The Company has established written guidelines on the employees' dealings in the securities of the Company on terms which are no less exacting than the Model Code (the "Employees Written Guidelines") to regulate the dealings in the securities of the Company by employees (including the Directors or employees of the subsidiaries or holding company of the Company) who are likely to possess inside information of the Company and/or its securities. The Company is not aware of any non-compliance of the Employees Written Guidelines by the employees during the year ended 31 December 2021.

Should the Company becomes aware of any restricted period for dealings in the Company's securities, the Directors and relevant employees shall be notified in advance.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board consists of nine Directors, including three executive Directors: Mr. Zhang Lake Mozi (Chairperson of the Board), Mr. Cheng Li, and Mr. Hu Qingyang; three non-executive Directors: Ms. Li Juan, Mr. Wu Haiming and Mr. Zhang Haihua; three independent non-executive Directors: Mr. Wu Chak Man, Mr. Zhao Zhen and Mr. Ge Ning.

The Board is responsible for supervising the management of the business and affairs of the Company and ensuring that it is managed in the best interests of the Shareholders and the Company as a whole while also taking into account the interests of other stakeholders of the Company. The Board is also responsible for formulating the business strategy, reviewing and monitoring the business performance of the Company, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. Our management will provide updated reports to the Board on a regular basis to give a fair and understandable assessment of the performance, position, recent development and prospect of the Company in sufficient details.

The biographical details of the Directors of the Company are set out in the section headed "Directors and Senior Management's Profile" of this annual report. Save as the spousal relationship between Mr. Wu Haiming and Ms. Li Juan, there is no other relationship (including financial, business, family or other material/relevant relationships) between the members of the Board. Each executive Director is suitably qualified for his/her position, and has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently.

Details of each Director's remuneration for the year ended 31 December 2021 are set out in notes 8 and 9 to the financial statements.

CHAIRPERSON AND THE CHIEF EXECUTIVE OFFICER

The Company supports the division of responsibilities of the Chairperson of the Board and the Chief Executive Officer in order to ensure balance of power and authorities. Mr. Zhang Lake Mozi is the Chairperson of the Company and Mr. Cheng Li is the Chief Executive Officer of the Company.

The Chairperson provides leadership and is responsible for the overall operation and strategic planning of the Company, ensuring the effective functioning of the Board in accordance with good corporate governance practice and facilitating all Directors to contribute responsibly and diligently to the Board, while the Chief Executive Officer focuses on the daily management of the business of the Group, and implements such objectives, policies, strategies and business plans as approved and instructed by the Board.

INDEPENDENT ADVICES

The Directors and their committees shall have access to independent professional advisers' advices if considered necessary. The Directors may also seek independent professional advices on matters related to the Company to fulfill their responsibilities at the Company's expense after obtaining the approval of the Chairperson of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

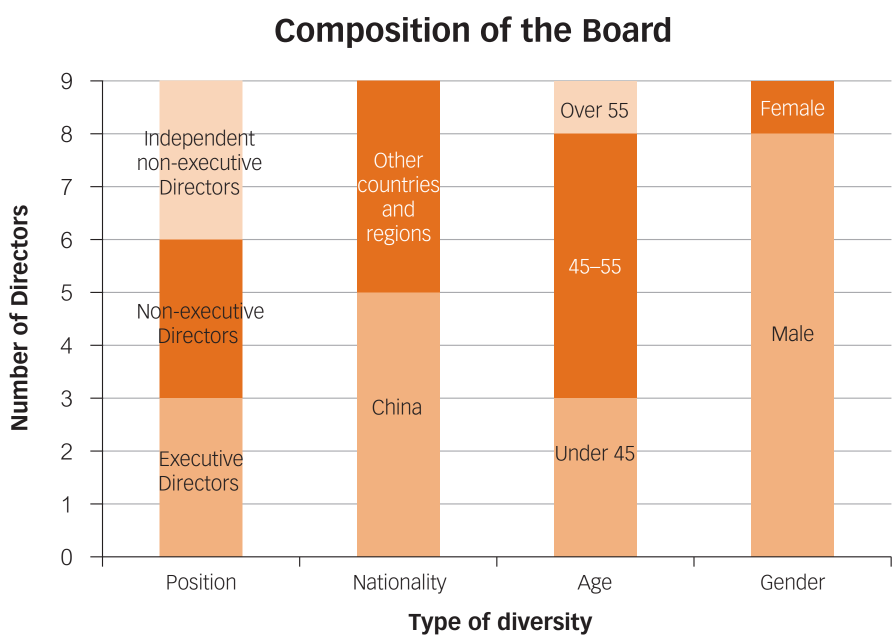
Independent non-executive Directors play a significant role in the Board by providing their independent judgments at the Board meeting and scrutinizing the Company's performance. Their views carry significant weight in the Board's decisions, in particular, they bring an impartial view on issues regarding the Company's strategy, performance and control. The independent non-executive Directors possess various skills and experience in their respective fields and provide their independent advices on the Company's business strategies, results and management and ensure that all interests of Shareholders have been taken into account and the interests of the Company and its Shareholders are protected. The executive Directors of the Company are suitably qualified for their position, and have sufficient experience to hold the position so as to carry out their duties effectively and efficiently.

For the year ended 31 December 2021, the Company has three independent non-executive Directors, representing at least one-third of the Board as required under Rules 3.10(1) and 3.10A, respectively of the Listing Rules. Furthermore, one of the independent non-executive Directors, namely Mr. Wu Chak Man possesses professional financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Company has received the annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. As at the date of this report, none of the independent non-executive Directors has held any directorship in each other's companies or has any significant relationship with other Directors. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

BOARD DIVERSITY POLICY

The Company recognizes and embraces the benefits of board diversity. The Board adopted a board diversity policy on 19 June 2015. Selection of candidates will be conducted by the Board based on diversified perspectives, including but not limited to gender, race, cultural background, educational background, industry and professional experience so as to enhance the Board's operational efficiency and maintain a high standard of corporate governance. As at 31 December 2021, the diversity of the Board was as follow:



The perspectives, skills and experience of the Board members including but not limited to:

- Commercial operations and technical experience in related industry sectors
- Executive management and leadership skills
- Professional financial management expertise
- International/domestic business experience
- Government, legal and public policy experience
- Investment and financing experience

The final decision on the nomination of candidates to be elected as the Board members will be made based on the merits of relevant candidates and his/her possible contribution to the Board after taking into account the benefits of board diversity without focusing on a single diversity aspect. As at the date of this report, the nomination committee believes that the existing diversity of the Board will maintain its effective operation. The nomination committee will review the board diversity policy on a regular basis to ensure its effectiveness and achieve higher standard in a timely manner.

For details of the members of the Board, please refer to "Directors and Senior Management's Profile".

TRAINING AND SUPPORT FOR DIRECTORS

All Directors know their responsibilities as directors and the operation and business activities of the Company. The Company would give any newly appointed Director an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. The Directors have been informed of the requirement under code provision A.6.5 of the CG Code regarding continuous professional development. According to the records maintained by the Company, the existing Directors have received the training during the year ended 31 December 2021 on the roles, functions and duties of a director of a listed company, the subjects of which covered corporate governance, regulations and regulatory updates and industry trends related to the Company's business, so as to be in line with the requirements of the CG Code on continuous professional development. The Directors participated in the sustainable development during the Reporting Period were as follows:

Name of Director	Types of Training
Executive Directors	
Mr. Zhang Lake Mozi	A and B
Mr. Cheng Li	A and B
Mr. Hu Qingyang	A and B
Non-executive Directors	
Ms. Li Juan	A and B
Mr. Wu Haiming	A and B
Mr. Zhang Haihua	A and B
Independent non-executive Directors	
Mr. Wu Chak Man	A and B
Mr. Zhao Zhen	A and B
Mr. Ge Ning	A and B

A: Attend training/meetings arranged by the Company or other external parties (including in person or by electronic means of communication)

B: Reading the relevant materials

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance coverage in respect of potential legal actions against its Directors and officers.

MEETINGS

The Board meets to discuss the overall strategy as well as the operation and financial performance of the Company from time to time. Directors may participate either in person or through electronic means of communications. The Board should hold at least 4 meetings annually. In 2021, the Board has held 4 regular meetings. Apart from regular Board meetings, the chairman also held one meeting with all independent non-executive Directors during the Year.

The attendance record of each Director at the meetings of the Board for the year ended 31 December 2021 is set out below:

Name of Director	Attendance/Number of Meeting(s) of the Board
Executive Directors	
Mr. Zhang Lake Mozi	4/4
Mr. Cheng Li	4/4
Mr. Hu Qingyang	4/4
Non-executive Directors	
Ms. Li Juan	4/4
Mr. Wu Haiming	4/4
Mr. Zhang Haihua	4/4
Independent non-executive Directors	
Mr. Wu Chak Man	4/4
Mr. Ge Ning	4/4
Mr. Zhao Zhen	4/4

All Directors are provided with relevant materials relating to the matters brought before the meetings. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of the regular Board meetings are given to the Directors at least 14 days in advance and Board procedures are complied with the articles of association of the Company (the "Articles of Association"), as well as relevant rules and regulations.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2021, the Company convened one annual general meeting on 11 June 2021. The attendance of each Director is set out below:

Name of Director	Attendance/Number of General Meeting(s)
Executive Directors	
Mr. Zhang Lake Mozi	1/1
Mr. Cheng Li	1/1
Mr. Hu Qingyang	1/1
Non-executive Directors	
Ms. Li Juan	1/1
Mr. Wu Haiming	1/1
Mr. Zhang Haihua	1/1
Independent non-executive Directors	
Mr. Wu Chak Man	1/1
Mr. Ge Ning	1/1
Mr. Zhao Zhen	1/1

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 8 July 2015, which will continue therefore until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from 8 July 2015, which will continue therefore until terminated by not less than three months' notice in writing served by either party on the other.

The Directors are subject to retirement by rotation and re-election of each Director at an annual general meeting at least once every three years in accordance with the Articles of Association. According to provisions in the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. The Articles of Association have no provisions relating to retirement of Directors upon reaching any age limit. The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At the forthcoming annual general meeting of the Company (the "2021 AGM"), Ms. Li Juan, Mr. Cheng Li and Mr. Hu Qingyang shall retire by rotation on the 2021 AGM in accordance with Articles of Association. All of the said retiring Directors are eligible and are willing to be re-elected at the 2021 AGM. The Board and the Nomination Committee recommended the reappointment of these Directors. The circular of 2021 AGM of the Company containing the detailed information of the above retiring Directors as required by the Listing Rules will be sent in accordance with articles of association of the Company and the Listing Rules.

No Director proposed for re-election at the 2021 AGM has entered into a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than the normal statutory obligations.

BOARD COMMITTEES

The Board has established (i) an audit committee, (ii) a remuneration committee; and (iii) a nomination committee, with defined terms of reference. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance under the appropriate circumstances, at the Company's expenses.

AUDIT COMMITTEE

The primary duties of the audit committee of the Company are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of the financial reporting matters; and oversee internal control procedures of our Company. At present, the audit committee of our Company consists of three members, namely the independent non-executive Director Mr. Wu Chak Man, the non-executive Director Ms. Li Juan and the independent non-executive Director Mr. Ge Ning. Mr. Wu Chak Man is the chairman of the audit committee of the Company. Members of the audit committee of the Company comply with Rule 3.21 of the Listing Rules. The written terms of reference of the audit committee are posted on the Hong Kong Stock Exchange's website and the Company's website.

The audit committee of the Company had reviewed the Company's audited annual results for the year ended 31 December 2021, and was of the opinion that the relevant financial statements have been prepared in accordance with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee of the Company has also reviewed the accounting principles and practices adopted by the Group, and the selection and appointment of the external auditor. In addition, the audit committee of the Company have reviewed the risk management and internal control system of the Company for the year 2021.

During the year ended 31 December 2021, the audit committee held three meetings to consider and approve among others the following:

(a) to review the Company's consolidated financial result for the year ended 31 December 2020 and the six months ended 30 June 2021 before submission to the Board, with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting of the audit committee;

(b) to discuss the effectiveness of the internal controls system throughout the Company, including financial, operational and compliance controls, and risk management;

(c) to review the accounting principles and practices adopted by the Company and other financial reporting matters;

(d) to review the engagement of the auditor and to make recommendations to the Board; and

(e) to review the terms of reference of the audit committee in order to comply with the codes and rules in effect from time to time as amended by the Hong Kong Stock Exchange.

The individual record of each member of the audit committee at the meeting is set out below:

Name of Director	Attendance/Number of Audit Committee Meeting(s)
Mr. Wu Chak Man	3/3
Mr. Ge Ning	3/3
Ms. Li Juan	3/3

In addition to the above audit committee meeting, the independent non-executive Directors of the audit committee has also held one separate meeting during the Year.

REMUNERATION COMMITTEE

The primary duties of the remuneration committee of our Company are to make recommendation to the Board on the overall remuneration policy and structure of all Directors and senior management of our Company; to review performance-based remuneration; and to ensure none of our Directors or any of their associates (as defined under the Listing Rules) determine their own remuneration. The remuneration committee consists of three members, namely the independent non-executive Director Mr. Ge Ning, the independent non-executive Director Mr. Zhao Zhen and the executive Director Mr. Cheng Li. Mr. Ge Ning is the chairman of the remuneration committee. The written terms of reference of the remuneration committee are posted on the Hong Kong Stock Exchange's website and the Company's website.

During the Year, the remuneration committee had surveyed peer companies' remuneration package and reviewed the remuneration packages of the executive Directors and the senior management. The remuneration committee also reviewed the Share Option Scheme and the Award Plan adopted by the Company, as well as the benefit plans to the key employees.

For the year ended 31 December 2021, the Company has held one remuneration committee meeting. The record of attendance is set out below:

Name of Director	Attendance/Number of Remuneration Committee Meeting(s)
Mr. Ge Ning	1/1
Mr. Zhao Zhen	1/1
Mr. Cheng Li	1/1

NOMINATION COMMITTEE

The primary duties of the nomination committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of the independent non-executive Directors; and make recommendations to the Board on matters related to the appointment or re-appointment of Directors. The nomination committee consists of three members, namely the executive Director Mr. Zhang Lake Mozi, the independent non-executive Director Mr. Ge Ning and the independent non-executive Director Mr. Zhao Zhen. Mr. Zhang Lake Mozi is the chairperson of the nomination committee.

The written terms of reference of the nomination committee have been revised and adopted on 5 October 2018. The primary regulation of the nomination committee is when making any recommendation, the nomination committee shall be bound by the restriction that a majority of the members of the Board shall at all times be persons who are Chinese nationals in accordance with the Nationality Law of the People's Republic of China. The written terms of reference of the nomination committee are posted on the Hong Kong Stock Exchange's website and the Company's website.

Nomination Policy

In assessing the suitability of a proposed candidate, the nomination committee uses the following factors as reference: (a) reputation; (b) available time; (c) diversity in all aspects of the Board, which representing the interests of the relevant sectors, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and service tenure; and (d) balanced distribution of skills and experience of the Board members, in order to provide different points of view, perspectives and insights, which enable the Board to perform its duties effectively and formulate appropriate strategies for the Company's core business as well as implement its succession plan and development. The above factors are for reference only and are not intended to cover all aspects. The final decision will be based on the merits of relevant candidates and his/her potential contribution to the Board.

During the Year, the Nomination Committee has reviewed the structure, size and the composition of the Board to ensure that the Board has a balance of speciality, skills and experience; reviewed and recommended the re-election of the retiring Directors standing for re-election at the Company's annual general meeting held on 11 June 2021, and considered diversified policy of Directors when selecting candidates of Directors; and made assessment of the independence of all the independent non-executive Directors.

For the year ended 31 December 2021, the Company has held one nomination committee meeting. The record of attendance is set out below:

Name of Director	Attendance/Number of Nomination Committee Meeting(s)
Mr. Zhang Lake Mozi	1/1
Mr. Ge Ning	1/1
Mr. Zhao Zhen	1/1

DELEGATION OF THE CORPORATE GOVERNANCE FUNCTION

The Board has delegated the responsibilities of corporate governance as set out under Code Provision D.3.1 of the CG Code to the Audit Committee. During the Year, the Audit Committee has reviewed and monitored the corporate governance policies and practices of the Company; the training and continuous professional development of the Directors and senior management; the compliance status of the Company on such policies and practices as required by the laws and regulations, the Model Code and the Employees' Written Guidance; the compliance status of the Company on the CG Code; and the disclosure set out in the Corporate Governance Report.

COMPANY SECRETARY

The company secretary of the Company is Mr. Zhang Lake Mozi. Mr. Zhang Lake Mozi was appointed as the company secretary on 11 February 2015 and act as the sole company secretary of the Company from 20 August 2018. Mr. Zhang Lake Mozi's biographical details are set out in the section headed "Directors and Senior Management's Profile" of this annual report. Mr. Zhang Lake Mozi has informed the Company that he has received no less than 15 hours of professional training and satisfied the requirements under the Rule 3.29 of the Listing Rules in 2021. The Company considers the training of the company secretary in 2021 is in compliance with the requirements under Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for the Year.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The responsibilities of Confucius International CPA Limited, the Company's external auditors, on the financial statements are set out in the section headed "Independent Auditor's Report" of this annual report.

AUDITOR'S REMUNERATION

The audit committee is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorized external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any questions regarding the resignation or dismissal of the external auditors.

Baker Tilly Hong Kong Limited ("Baker Tilly HK") and the Company have not been able to reach an agreement on the audit fee for the financial year ending 31 December 2021, Baker Tilly HK has resigned as the auditors of the Group with effect from 10 November 2021. with the recommendation from audit committee of the Company, Confucius International CPA Limited ("Confucius") has been appointed as the auditors of the Company with effect from 12 November 2021 to fill the casual vacancy following the resignation of Baker Tilly HK and to hold office until the conclusion of the next annual general meeting of the Company. There was no disagreement between the Board and the audit committee on the selection, appointment or resignation of the external auditor. Details are set out in the Company's announcement regarding the change of auditor published on 12 November 2021. For the year ended 31 December 2021, the total fee paid/payable in respect of audit and non-audit services provided by the Company's external auditors is set out below:

Items of auditor's services	2021 Amount RMB'000
Audit services:	
Annual audit service	**1,480**
Total	**1,480**

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group recognises that good risk management is essential for the long-term and sustainable growth of a business. The Board is responsible for maintaining adequate and effective risk management and internal controls to protect assets of Shareholders and the Group and is also responsible for its effectiveness. The Board entrusts the audit committee to review the Group's internal control system. Management is responsible for the design, implementation and maintenance of a sound and effective internal control system underpinning the risk management framework. While taking into full account of the new requirements effective from 1 January 2016 under the Listing Rules brought by Hong Kong Exchanges and Clearing Limited relating to risk management and internal control, the management also takes into consideration of the Group's actual business and operating environment in formulating the risk management and control framework.

The objectives of the risk management and internal control framework of the Group include:

- to enhance the risk management and internal control of the Group in compliance with the requirement of Listing Rules;
- to establish and constantly improve the risk management and internal control system;
- to implement a top-down and company-wide risk management system that covers every aspect of the business; and
- to keep the baseline risk within an acceptable range.

Risk Management Process

The Group was engaged in the internet industry, so its business is characterized by diversity and rapid change. The Group has adopted a three-tier risk management approach to dynamically identify, assess, mitigate and handle risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal, and report such results to the management. As the second line of defence, the management collects, sorts out and analyzes the significant risks of the Group to formulate its control policies and adopt appropriate corresponding strategies and shall report to the audit committee before reporting to the Board. The management ensures that the first line of defence is effective. As the final line of defence, the audit committee of the Company ensures that to assess and determine the nature of risk and its acceptability to ensure achieving strategic goals, and the first and second lines are effective through continuous inspection and monitoring.

Internal Control

We are in compliance with the five key factors of the entire internal control structure issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), which includes environment control, risk assessment, control activity, information and communication and supervision for setting up the internal control system.

The management of the Group is responsible for designing, implementing and maintaining the effectiveness of the internal control system. The Board and the audit committee are responsible for supervising and monitoring the appropriateness of the management's internal control and whether such internal control is effectively implemented.

The Group's internal control system clearly defines the management's responsibilities, authorizations and approvals of the parties regarding key actions, and formulates clear policies and procedures on important business processes and conveyed such policies and procedures to its employees. They mainly covered:

- sales and money collection management
- procurement and payment management
- asset management (including fixed asset and intangible asset)
- research and development management
- human resources and remuneration management
- capital management
- financial report management
- tax management
- general control of information system

The Group has its internal control manual on cash and treasury management in place to ensure that any future investments into structured deposits and/or wealth management products will comply with Chapter 14 of the Listing Rules. Relevant staff training has also been enhanced.

The Board and the audit committee review the effectiveness and adequacy of risk management and internal controls semi-annually. The Board and audit committee also took adequacy of resources, capacity and experience of employees, training courses and relative budget of the Company's accounting and financial reporting function into consideration.

Such procedures could reasonably but not absolutely guarantee that there was no material error, omission and fraud, and reduce but not remove mistakes in the Company's operating system and target business procedures.

The Company has conducted a promotion of business ethics for our Directors, staff and others who have contacts with the Company (e.g. clients and suppliers) in order to enhance its fraud prevention and control. The Company has also established various reporting channels in accordance with different types of fraud and misconduct or persons of different ranks with a policy to protect whistleblowers.

During the Year, the Group has conducted a quarterly review on whether there is a need for an internal audit department. Given the Group's relatively simple organisational structure and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the audit committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness. The Group will continue to review whether necessary changes should be made regarding the establishment of an independent internal audit department at the appropriate time.

During the Year, based on information furnished to it and on its own observations, the Board, through the audit committee had reviewed and is satisfied with the effectiveness and adequacy of present internal controls and risk management of the Company and considers that the Group's risk management and internal control systems for the year ended 31 December 2021 was effective and adequate.

DISCLOSURE OF INSIDE INFORMATION

The Company acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The Company has established a policy on disclosure of inside information and reviewed its effectiveness regularly. The procedures and internal controls for the handling and dissemination of inside information include:

- the Company conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

- the Company has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;

- the Company has strictly prohibited unauthorised use of confidential or inside information;

- the Company has established and implemented procedures for responding to external enquiries about the Company's affairs, so that only the executive Directors, company secretary and investor relations officers are authorised to communicate with parties outside the Company; and

- if any employee is aware of any project, transaction, information or event which may constitute insider information, he/she should contact the Company Secretary as soon as possible. Analysis and consultations with the Directors and senior executives will be made so as to identify whether any such information constitutes inside information and is required to be disclosed to the public pursuant to the Securities and Futures Ordinance.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining clear, timely and effective communication with the Shareholders and investors of the Company. Therefore, the Company is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, interim reports, announcements and circular. The Company also publishes all corporate correspondence on the Company's website www.ci123.com. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Company's strategies, operations, management and plans. The Company also encourages Shareholders' active participation in annual general meetings and other general meetings or other proper means. As such, the Company must send notices to Shareholders for convening of annual general meetings not less than twenty-one (21) days and twenty (20) clear days before the meeting and not less than fourteen (14) days and ten (10) clear days for all other general meetings including extraordinary general meeting. Members of the Board and of the various Board committees will attend the annual general meeting of the Company and answer questions raised during the meeting. The Company's external auditor will also attend the annual general meeting to answer questions relating to the conduct of the audit, the auditor's report and auditor independence. The Company's Shareholders may also propose candidates for election as a Director of the Company according to the procedures set out in the Company Website.

Separate resolutions would be proposed at the general meeting on each substantially separate issue. The chairman of the general meetings of the Company would explain the procedures for conducting poll before putting a resolution to vote. Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A resolution put to the vote of a meeting shall be decided by way of a poll. An external scrutineer will be appointed to monitor and count the votes cast by poll. The results of the voting by poll will be declared at the meeting and published on the websites of The Stock Exchange of Hong Kong Limited and the Company respectively.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and put forward proposals at general meetings

Pursuant to Article 58 of the Articles of Association, the Board may convene an extraordinary general meetings whenever it thinks fit. Any one or more Members holding at the date of deposit of the requisition no less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be convened by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Shareholders who wish to propose a resolution may request the convening of a general meeting of Shareholders and submit a resolution at the meeting in accordance with the above requirements and procedures.

Procedures for Shareholders to send their enquiries and concerns to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to Mr. Zhang Lake Mozi, the company secretary of the Company via following:

Recipient: Mr. Zhang Lake Mozi
Address: 13F, Building J, Cloud Security City, No. 19 Ningshuang Road Nanjing, Jiangsu Province, The PRC
Telephone number: +86 25 86884590
Fax number: +86 25 86883402

The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

DIVIDEND POLICY

Pursuant to Code Provision E.1.5 of the CG Code, the Company should have a policy on payment of dividends.

The Company has formulated its dividend policy. Any final dividends declared by the Company must be approved by an ordinary resolution of the Shareholders at a general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the Shareholders such interim dividends. The proposed declaration of dividends will be at the discretion of our Directors and will depend on our earnings, financial condition, capital requirements, surplus and any other factors that our Directors may consider relevant. The declaration and payment of the dividend is also subject to any restrictions under the Companies Law of the Cayman Islands and the Articles of Association. The Dividend Policy will be reviewed and revised from time to time by the Board when necessary and there can be no assurance that dividends will be paid in any particular amount for any given period. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

CONSTITUTIONAL DOCUMENTS

There was no significant change in the Articles of Association for the year ended 31 December 2021.

DIRECTORS' REPORT

The Directors are pleased to present their report and audited accounts of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 1 to the financial statements.

BUSINESS REVIEW

Detailed business review and future development of business is set out in the sections of "Chairperson's Statement" and "Management Discussion and Analysis" of this annual report. Relevant review and discussions form part of this directors' report. As far as the Board is aware, the Company and its subsidiaries have complied in material respects with the relevant laws and regulations that have a significant impact on their business and operation. An analysis of the Group's performance during the year using financial key performance indicators is set out in the section of "Management Discussion and Analysis" of this annual report.

USE OF PROCEEDS

The Company's net proceeds from the Placing (the "Net Proceeds") amounted to approximately HK$276.4 million after taking into account the partial exercise of the over-allotment option (the "Over-allotment Option") in connection with the Listing (the "Over-allotment Option"). For the year ended 31 December 2021, the Group had utilised approximately HK$244.9 million of the Net Proceeds. The unutilised Net Proceeds in the amount of approximately HK$31.5 million has been deposited in banks.

The Company has adjusted the allocation of the Net Proceeds a few times after Listing. Reference is made to the announcement of the Company dated 11 November 2021 for the latest proposed allocation of the Net Proceeds. In order to strengthen the use efficiency of the unutilised Net Proceeds, the Board has resolved to change the use of the unutilised Net Proceeds by reallocating the remaining HK$41.4 million previously allocated for acquisition of property or land for the construction of the Company headquarters to expansion of e-commerce business in the PRC.

Details of the original allocation of net proceeds set out in the prospectus and the revised allocation of net proceeds of the Company as at the date of this report as follows:

Use of Net Proceeds	Original Allocation HK$ million	Revised Allocation as at 26 February 2016 HK$ million	Revised Allocation as at 15 December 2017 HK$ million	Revised Allocation as at 2 May 2018 HK$ million	Revised Allocation as at 3 July 2018 HK$ million	Revised Allocation as at 11 November 2021 HK$ million	Utilized Amount as at 31 December 2021 HK$ million	Unutilized Amount as at 31 December 2021 HK$ million	Expected timetable for the utilization of the remaining net proceeds
Strengthening research and development capabilities	55.3	52.8	52.8	44.8	–	–	–	–	–
Enhancing the user base and Internet traffic of our Platform	55.3	49.6	49.6	49.6	–	–	–	–	–
Developing our e-commerce business and related O2O business	55.3	44.9	44.9	–	–	–	–	–	–
Acquisition of or investment in other companies engaging in O2O and CBM related businesses	55.3	19.3	19.3	–	–	–	–	–	–
Enhancing marketing and promotional services	27.6	24.9	24.9	24.9	24.9	24.9	24.9	–	–
Working capital and other general corporate purposes	27.6	24.9	24.9	24.9	24.9	24.9	24.9	–	–
Providing loan facilities	–	60.0	–	–	–	–	–	–	–
Acquisition of property or land for the construction of the Company headquarters	–	–	60.0	60.0	60.0	18.6	18.6	–	–
Acquisition of or investment in companies engaging in CBM and family related business chains and companies engaging in related technology research and development	–	–	–	72.2	166.6	166.6	166.6	–	–
Expansion of e-commerce business in the PRC	–	–	–	–	–	41.4	9.9	31.5	by the end of 2022
Total	276.4	276.4	276.4	276.4	276.4	276.4	244.9	31.5	–

DIRECTORS' REPORT

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on the last page of the annual report. The summary does not form part of the audited financial statements.

RESULTS AND DIVIDEND

The Group's results for the year ended 31 December 2021 are set out in the consolidated financial statement of the report.

No interim dividend was paid by the Company during the financial year of 2021.

The Board does not recommend the payment of a final dividend for the twelve months ended 31 December 2021 (twelve months ended 31 December 2020: nil).

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 10 June 2022 (Friday). The notice of the AGM and other relevant documents will be published and despatched to the shareholders of the Company in due course in the manner prescribed by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from 7 June 2022 (Tuesday) to 10 June 2022 (Friday), both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for attending and voting at the AGM, all shares transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 6 June 2022 (Monday).

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in the Group's property, plant and equipment during the Year are set out in note 14 to the financial statements.

BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2021 are set out in note 27 to the financial statements.

SHARE CAPITAL

Details of the movement in the Company's share capital during the Year are set out in note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

RESERVES

Details of the movement in reserves of the Company and the Group during the Year are set out in note 40 and consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves that are available for distribution, calculated in accordance with the Companies Law, amounted to approximately RMB180.3 million (2020: RMB186.1 million).

DIRECTORS' REPORT

DIRECTORS

The Directors as of 31 December 2021 and up to the date of this report are:

Executive Directors
Mr. Zhang Lake Mozi *(Chairperson)*
Mr. Cheng Li
Mr. Hu Qingyang

Non-executive Directors
Ms. Li Juan
Mr. Wu Haiming
Mr. Zhang Haihua

Independent non-executive Directors
Mr. Wu Chak Man
Mr. Zhao Zhen
Mr. Ge Ning

Pursuant to the Articles of Association, three Directors of the Company, including Ms. Li Juan, Mr. Cheng Li and Mr. Hu Qingyang shall retire at the 2021 AGM and, being eligible, offer themselves for re-election at the 2021 AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 8 July 2015, which will continue therefore until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Zhang Lake Mozi has been appointed as the chairperson of the Board on 31 July 2020. He has not entered into a new appointment letter with the Company. His service contract with the Company will continue.

Ms. Li has resigned as the chairperson of the Board on 31 July 2020. She has not entered into a new appointment letter with the Company. Her service contract with the Company will continue.

Mr. Zhang Haihua has entered into a service contract with the Company for a term of three years commencing from 31 July 2020, which will continue thereafter unless and until terminated by not less than three months' notice in writing served by either party to the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from 8 July 2015, which will continue therefore until terminated by not less than three months' notice in writing served by either party on the other.

Save as disclosed above, none of the Directors who proposed to be re-elected at the forthcoming annual general meeting of the Company has entered into a service contract that are not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the section headed "Connected Transactions" of this report and note 35 (Related Party Transactions) to the financial statements, no Director nor any entity related to the Directors had a material interest, either directly or indirectly, in any transactions, arrangements and contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

At no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATION

As at 31 December 2021, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Hong Kong Stock Exchange pursuant to Appendix 10 of the Listing Rules are as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Nature of Interest		Number of Shares or Underlying Shares	Approximate Percentage of Shareholding
Ms. Li Juan[(1)]	Interest in a controlled corporation		310,953,022	
	Interest of concert party		120,000,000	
		Total:	430,953,022	42.02%
Mr. Wu Haiming[(1)]	Interest of spouse		430,953,022	42.02%
Mr. Cheng Li[(2)]	Interest in a controlled corporation		120,000,000	
	Interest of concert party		310,953,022	
		Total:	430,953,022	42.02%

Notes:

(1) Each of Loyal Alliance Management Limited ("Loyal Alliance") and Prime Wish Holdings Limited ("Prime Wish") is directly and wholly owned by Ms. Li Juan, who is therefore deemed to be interested in 147,351,410 shares and 163,601,612 shares held by Loyal Alliance and Prime Wish respectively. Ms. Li Juan and Mr. Cheng Li, who held 120,000,000 shares through his wholly owned Company, Victory Glory Holdings Limited entered into an acting in concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other. Mr. Wu Haiming, a non-executive Director, is the spouse of Ms. Li Juan, and therefore is deemed to be interested in the interests of Ms. Li Juan.

(2) Victory Glory Holdings Limited ("Victory Glory") is directly and wholly owned by Mr. Cheng Li, who is therefore deemed to be interested in all the shares held by Victory Glory. Ms. Li Juan and Mr. Cheng Li entered into an acting in concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other.

INTERESTS IN OTHER MEMBERS OF THE GROUP (LONG POSITIONS)

Name of Director	Name of Subsidiary	Nature of Interest	Approximate Percentage of Shareholding
Ms. Li Juan[1]	Nanjing Xihui Information Technology Company Limited* (南京矽滙信息技術有限公司) ("Nanjing Xihui")[2]	Beneficial owner	85%
	Nanjing Xinchuang Micro Machinery and Electronic Technology Company Limited* (南京芯創微機電技術有限公司) ("Nanjing Xinchuang")[2]	Beneficial owner	85%
Mr. Wu Haiming[1]	Nanjing Xihui[2]	Interest of spouse	85%
	Nanjing Xinchuang[2]	Interest of spouse	85%
Mr. Cheng Li	Nanjing Xihui[2]	Beneficial owner	15%
	Nanjing Xinchuang[2]	Beneficial owner	15%

Notes:

(1) Mr. Wu Haiming, a non-executive Director, is the spouse of Ms. Li Juan, and therefore deemed to be interested in the interests of Ms. Li Juan.

(2) Pursuant to the contractual arrangement, each of Nanjing Xinchuang and Nanjing Xihui is deemed to be a wholly owned subsidiary of the Company.

Save as disclosed above, as at 31 December 2021, none of the Directors nor chief executives of the Company held an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or were recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the required standard of dealings by Directors pursuant to Appendix 10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 December 2021, the following persons (not being Directors or chief executives of the Company) have or be deemed or taken to have interests and/or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name	Nature of Interest	Number of Shares or Underlying Shares	Approximate Percentage of Shareholding
Loyal Alliance[(1)]	Beneficial owner	147,351,410	14.37%
Prime Wish[(1)]	Beneficial owner	163,601,612	15.95%
Victory Glory[(2)]	Beneficial owner	120,000,000	11.70%
Properous Commitment[(3)]	Beneficial owner	51,600,000	5.03%
TMF Trust (HK) Limited[(3)]	Trustee	51,600,000	5.03%

Notes:

(1) Each of Loyal Alliance and Prime Wish is directly and wholly owned by Ms. Li Juan.

(2) Victory Glory is directly and wholly owned by Mr. Cheng Li.

(3) Properous Commitment is directly held by TMF Trust (HK) Limited, a professional trustee engaged by the Company for the operation of the Share Award Plan.

Save as disclosed above, as at 31 December 2021, no person, other than the Directors of the Company whose interests and short positions are set out in the section headed "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporation" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme and Share Award Plan as set out in this annual report, no equity-linked agreements were entered into by the Group, or subsisted during the year ended 31 December 2021.

SHARE AWARD PLAN

As stated in the Prospectus, the Company adopted a share award plan (the "Plan") within 12 months from the Listing Date, so as to recognize and appreciate the contribution of all qualified employees towards the growth and development of the Group. The Board has adopted the Plan on 6 July 2016. Mr. Hsieh Kun Tse, the former non-executive Director of the Company, has transferred the entire issued share capital of Properous Commitment Holdings Limited ("Properous Commitment") which in turn holds 51,600,000 of the Shares of the Company, to the trustee at nil consideration on 8 September 2016. The trustee will hold on trust the award Shares for the benefit of the selected employees in accordance to the terms of the trust deed, until such award Shares are vested in the relevant selected employees in accordance with this Plan.

The plan is discretionary-based, and the Board has authorized the Share Award Plan Committee to manage the Plan, members of which include the Controlling Shareholder and executive Director Mr. Cheng Li, and the independent non-executive Director Mr. Ge Ning. Subject to the requirements of the Main Board Listing Rules and all applicable laws from time to time, the Share Award Plan Committee shall make recommendations for the Board's approval. The Share Award Plan Committee shall be responsible for the administration of the Plan as well as communication with the trustee and the selected employees, including but not limited to the allocation of the award Shares to the selected employees upon obtaining such approval/authorization from the Board, and purchasing the award Shares on the market, as well as transferring the vested Shares to the selected employees. Before the vesting date, the selected employees have no right or interest in the award Shares (including the right to the dividends).

The maximum number of award Shares shall not exceed 10% of the issued share capital of the Company (including new Shares and existing Shares) from time to time, whereas the maximum number of Shares to be granted to a selected employee shall not exceed one percent (1%) of the issued share capital of the Company from time to time. The Directors have confirmed that the Company does not currently intend to issue any new Shares under the Plan. If new shares are to be issued under the Plan and assuming there are no existing shares to be used under the Plan, the maximum number of new shares to be issued will be 50,966,200 Shares as at the date of this report (taking into account of the current issued share capital of 1,025,662,000 Shares and 51,600,000 Shares held by Properous Commitment), representing approximately 4.97% of the existing issued share capital of the Company. The Company will seek a specific mandate in this regard as the grantees may be connected persons of the Company.

The Plan shall have valid and effect for ten years from the date of adoption to 5 July 2026. As at the date of this report, no Shares have been granted to qualified employees under the Plan.

For details of the Plan, please refer to the announcements of the Company dated 7 July 2016 and 14 July 2016 respectively. So far as the Directors are aware, Properous Commitment and TMF Trust (HK) Limited have complied with the terms of trust deed as at the date of this report.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 19 June 2015 (the "Share Option Scheme") for the purpose of providing incentive or rewarding eligible persons (including the Directors or employees (whether full time or part time), consultants or advisors of our Group) for their contribution to, and continuing efforts to promote the interests of our Group and for such other purposes as the Board may approve from time to time. No share option has been granted under the Share Option Scheme since its adoption by the Company.

The Share Option Scheme became effective on the date of the Company's listing (8 July 2015) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 100,000,000 shares, representing 10% of the shares of the Company in issue as at the date of adoption of the Share Option Scheme and 9.75% of the shares of the Company in issue as at the date of this annual report. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting. A grant of share options under the Share Option Scheme to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Option). In addition, any share options granted to a substantial Shareholder or an independent non-executive Director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5,000,000, are subject to Shareholders' approval in advance at a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer upon payment of a nominal consideration of RMB1 in total by the grantee. The exercise period of the share options granted is determined by the Directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of the share options shall be not less than the highest of (i) the Hong Kong Stock Exchange closing price of the Company's shares on the date of offer of the share options, which must be a date on which the Hong Kong Stock Exchange is open for business of dealing in securities; (ii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately before the date of offer; and (iii) the nominal value of the Company is share as at the date of offer.

No share options were granted from the date of adoption to the year ended 31 December 2021 and no share options were outstanding under the Scheme accordingly.

COMPLIANCE WITH QUALIFICATION REQUIREMENTS AND LAWS AND REGULATIONS

The Group's primary business is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under the present PRC laws and regulations. Accordingly, with the restriction of the current PRC laws and regulations and the implementation of local competent authorities, the Company cannot acquire Nanjing Xihui and Nanjing Xinchuang, which hold certain licenses and permits required for our primary business. As a result the Group entered into a series of contractual arrangement with Nanjing Xihui and Nanjing Xinchuang and their respective registered shareholders (the "Structured Contracts") in order to conduct the said business, and to assert management control over the operations of and enjoy the economic benefits derived from Nanjing Xihui and Nanjing Xinchuang. For details of the Contractual Arrangement, please refer to the section headed "Contractual Arrangement" of this annual report.

In addition, under the current PRC laws and regulations, a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must also demonstrate a good track record and operating experience in providing value-added telecommunications services overseas ("Qualification Requirements").

As far as the Directors are aware, as at the date of this report, the Company has taken all reasonable steps to ensure that such Qualification Requirements are met if and when the PRC laws and competent authorities substantially allow foreign investors to invest in value-added telecommunications services in the PRC. The Company will continue to communicate with the relevant governmental authorities and provide updates where necessary.

Due to the nature of our business, the Company is significantly affected by PRC laws and regulations, including laws and regulations of telecommunications services, those relevant to advertising service, information security and privacy protection as well as intellectual property rights. As far as the Directors are aware, the Company had no material breach of any relevant laws and regulations or received any legal litigation in 2021. The Company reduced its potential legal risk through different management and monitoring systems, such as regular review of the effectiveness of internal control system, defined duty division and provided training to employees and management related to such laws and regulations and recruit legal adviser as professional consultant.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into between the Company or any of its subsidiaries and the Controlling Shareholders during the year ended 31 December 2021.

DEED OF NON-COMPETITION

The Controlling Shareholders of the Company, namely Ms. Li Juan, Mr. Cheng Li, Mr. Wu Haiming, Loyal Alliance Management Limited, Prime Wish Holdings Limited and Victory Glory Holdings Limited (the "Controlling Shareholders") have entered into a deed of non-competition (the "Deed of Non-Competition") on 19 June 2015. Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders will not and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses. Relevant information on the Deed of Non-Competition was set out in the section headed "Relationship with our Controlling Shareholders" in the Prospectus and the Deed of Non-Competition became effective since the Listing Date.

The Company has received confirmations from the Controlling Shareholders of their compliance with the terms of the Deed. The Controlling Shareholders declared that they have fully complied with the Deed of Non-Competition for the Year. The independent non-executive Directors have reviewed the confirmations from the Controlling Shareholders and concluded that the Deed of Non-Competition has been complied with and has been effectively enforced.

DIRECTORS, CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

None of the Directors, Controlling Shareholders and substantial Shareholders or their respective associate had material interest in any business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2021.

CONNECTED TRANSACTIONS

As disclosed in the section headed "Contractual Arrangement" of this annual report, the business operations of the PRC Contractual Entities constitute a business restricted to foreign investment in the PRC, therefore, we cannot directly acquire equity interests in the PRC Contractual Entities. As a result, our Group has entered into Structured Contracts narrowly tailored to provide our Group with control over the PRC Contractual Entities and grant our Group the right to acquire the equity interests of the PRC Contractual Entities when and to the extent permitted by the PRC laws and regulations. Under the Contractual Arrangement, our Group supervises and controls the business operations of the PRC Contractual Entities and derives economic benefit from the PRC Contractual Entities.

The independent non-executive Directors of the Company have, for the purpose of Rule 14A.55 of the Listing Rules, reviewed the continuing connected transactions set out above and confirmed that these continuing connected transactions have been entered into by the Group (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) according to the agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Moreover, our independent non-executive Directors have reviewed the Contractual Arrangement and confirmed that: (i) the transactions carried out during the year ended 31 December 2021 have been entered into in accordance with the relevant provisions of the Contractual Arrangement so that the revenue generated by the PRC Contractual Entities have been mainly retained by our Group; and (ii) no dividends or other distributions have been made by the PRC Contractual Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

Confucius International CPA Limited, the Company's auditor, were engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. After performing the procedure related to continuing connected transactions, Confucius International CPA Limited confirmed that:

Based on the foregoing, in respect of the disclosed continuing connected transactions:

a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with a series of contractual arrangements disclosed in the section "Contractual Arrangements" of the prospectus of the Company dated 30 June 2015 governing such transactions.

c. nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with a business cooperation agreement entered by a subsidiary of the Company, Xibai (Nanjing) Information Technology Company Limited ("Nanjing Xibai") with Nanjing Xihui Information Technology Company Limited ("Nanjing Xihui"), Nanjing Xinchuang Micro Electromechanical Technology Company Limited ("Nanjing Xinchuang") and the relevant shareholders, Ms. Li Juan and Mr. Cheng Li, on 12 September 2017 governing such transactions.

d. nothing has come to our attention that causes us to believe that the dividends or other distributions has been made by Nanjing Xihui and Nanjing Xinchuang to the holders of its equity interest which are not otherwise subsequently assigned or transferred to the Group.

Confucius International CPA Limited have issued their letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CONTRACTUAL ARRANGEMENT

Nanjing Xihui is deemed to be a wholly-owned subsidiary of our Company pursuant to the Contractual Arrangement and is principally engaged in the provision of marketing and promotional services and the licensing of smart-hardware devices. It was established as a limited liability company in the PRC on 24 May 2013.

Nanjing Xinchuang is deemed to be a wholly-owned subsidiary of our Company pursuant to the Contractual Arrangement and is principally engaged in the provision of marketing and promotional services and e-commerce business. It was established as a limited liability company in the PRC on 14 April 2005.

Summary of the information in relation to the Contractual Arrangement and the Operating Companies are as follows.

1. The PRC Contractual Entities (Nanjing Xihui and Nanjing Xinchuang)

1.1 Information on the Operating Companies and their Registered Owners

Nanjing Xinchuang and Nanjing Xihui are deemed to be the wholly-owned subsidiaries of the Company pursuant to the Contractual Arrangement.

The registered shareholders of Nanjing Xinchuang and Nanjing Xihui are Ms. Li Juan and Mr. Cheng Li, holding 85% and 15% of their interest respectively (the "Relevant Shareholders").

1.2 Business Overview of the Operating Companies

Nanjing Xihui is principally engaged in the provision of marketing and promotional services the licensing of smart-hardware devices.

Nanjing Xinchuang is principally engaged in the provision of marketing and promotional services and e-commerce business.

The PRC Contractual Entities hold certain licences and permits required for the operation of abovementioned principal business (including the value-added telecommunications business operation Licence(s); referred to as the "Internet Content Provider Licence(s)" ("ICP Licence(s)")). Our WFOE, namely Nanjing Xibai ("Contractual Control Entities"), entered into the Contractual Arrangement with our PRC Contractual Entities and the Relevant Shareholders (being the registered shareholders of our PRC Contractual Entities) in order to conduct the Principal Business in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of our PRC Contractual Entities.

Pursuant to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020) (外商投資准入特別管理措施(負面清單)(2020年)) promulgated by the National Development and Reform Commission and the MOFCOM on 23 June 2020, which took effect on 23 July 2020, foreign equity share in a value-added telecommunications business shall not exceed 50% (excluding e-commerce, multi-party domestic communication, store and forward, call center).

We are primarily engaged in operation of online platform focusing on the CBM market (the "Principal Business"), which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. Accordingly, we cannot acquire equity interest in the PRC Contractual Entities, which hold certain licences and permits required for the operation of our Principal Business.

As a result, our Contractual Control Entities, entered into the Contractual Arrangement with our PRC Contractual Entities and the Relevant Shareholders (being the registered shareholders of our PRC Contractual Entities) in order to conduct the Principal Business in the PRC and to implement management control over the operations of, and enjoy all economic benefits of, each of our PRC Contractual Entities. Pursuant to the Contractual Arrangement, all substantial and material business decisions of the PRC Contractual Entities will be instructed and supervised by our Group, through the Contractual Control Entities, and all risks arising from the business of the PRC Contractual Entities are also effectively borne by the Contractual Control Entities.

1.3 Summary of the Major Terms of the Structured Contracts under the Contractual Arrangement

Business Cooperation Agreement

Nanjing Xibai entered into a business cooperation agreement with Nanjing Xinchuang, Nanjing Xihui and the Relevant Shareholders on 30 December 2014 (the "Business Cooperation Agreement"), which was renewed by the Contractual Control Entities and Nanjing Xinchuang, Nanjing Xihui and the Relevant Shareholders on 12 September 2017, pursuant to which the Contractual Control Entities, our PRC Contractual Entities and the Relevant Shareholders agreed to enter into the Structured Contracts for the establishment of business cooperation among the parties and implementation of the Contractual Arrangement, and the Contractual Control Entities agreed to provide various services such as management consultancy, technology and software research and development, technical consultation, promotion planning and market promotion necessary for the operations of our PRC Contractual Entities and our PRC Contractual Entities agreed to pay service fees to the Contractual Control Entities according to the Structured Contracts.

The Business Cooperation Agreement provides, among others, that:

- each of our PRC Contractual Entities and the Relevant Shareholders has agreed, among others:
  - — to follow recommendations of the Contractual Control Entities on the day-to-day management of our PRC Contractual Entities;
  - — to cause persons recommended by the Contractual Control Entities to be elected as the board members or assume senior management positions of our PRC Contractual Entities; and
  - — any dividends and other distributions of our PRC Contractual Entities payable to the Relevant Shareholders, shall be unconditionally paid to the Contractual Control Entities.
- each of our PRC Contractual Entities and the Relevant Shareholders has undertaken not to, without the prior written consent of the Contractual Control Entities or its designated person(s), among others:
  - — engage in activities outside their normal business scopes or change their modes of business operation;
  - — incur any indebtedness over a certain threshold amount;

— remove or change the directors, supervisors or senior management of our PRC Contractual Entities or their subsidiaries;

— dispose of, transfer, lend, authorize the use of, or create any encumbrance over any material assets or rights of our PRC Contractual Entities or their subsidiaries to any third party other than the Contractual Control Entities or its designated person(s), or purchase any material assets or rights from any third party;

— dispose of any equity interest of our PRC Contractual Entities or their subsidiaries to any third party other than the Contractual Control Entities or its designated person(s), or alter their registered capitals or shareholding structures;

— alter the articles of association or business scope, or any important internal policies and rules of our PRC Contractual Entities or their subsidiaries;

— enter into any contract except those entered in the ordinary course of business;

— declare any dividend;

— conduct any activity which may adversely affect the ability of our PRC Contractual Entities or their subsidiaries to make payment to the Contractual Control Entities; and

— transfer any rights under the Business Cooperation Agreement or other underlying agreements to the Contractual Arrangement to, or enter into similar contractual arrangement with, any third party other than the Contractual Control Entities or its designated person(s).

The Business Operation Agreement became effective upon execution and shall, subject to the applicable PRC laws or regulations, be effective for an indefinite period unless (a) the Contractual Control Entities has acquired the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by the Contractual Control Entities by giving 30-day prior notice.

Exclusive Technology Service and Management Consultation Agreement

Nanjing Xibai entered into an exclusive technology service and management consultation agreement with Nanjing Xinchuang and Nanjing Xihui on 30 December 2014 (the "Exclusive Technology Service and Management Consultation Agreement"), which was renewed by the Contractual Control Entities and Nanjing Xinchuang, Nanjing Xihui and the Relevant Shareholders on 12 September 2017, pursuant to which our PRC Contractual Entities agreed to engage the Contractual Control Entities as their exclusive provider of technical and management consulting services and other technology and consultancy services requested by our PRC Contractual Entities to support their operations from time to time to the extent permitted under PRC laws in exchange for service fees.

The technical services provided include:

— development of computer and mobile device software;

— webpages and websites design, monitoring, testing and debugging;

— management of information systems;

— provision of technical supports;

— provision of technological consultation services;

— provision of technical training;

— engagement of technical staff to provide on-site technical guidance; and

— other technical services as reasonably requested by our PRC Contractual Entities.

The management consultation services provided include:

— formulation of management models and business plans;

— formulation of market development plans;

— provision of market information and customer resources information;

— market research and analysis;

— staff training;

— establishment of sales networks; and

— other services as reasonably requested by our PRC Contractual Entities.

The Exclusive Technology Service and Management Consultation Agreement also provides that the Contractual Control Entities has the exclusive proprietary rights to all intellectual property rights developed or created by the Contractual Control Entities or our PRC Contractual Entities during the performance of the Exclusive Technology Service and Management Consultation Agreement.

According to the Exclusive Technology Service and Management Consultation Agreement, our PRC Contractual Entities shall pay service fees to the Contractual Control Entities every six months as calculated by the Contractual Control Entities based on the financial conditions of our PRC Contractual Entities. In the premises of compliance with the PRC laws and regulations, the service fees are equal to the profits of our PRC Contractual Entities after deducting losses in previous years, necessary operating costs, expenses and taxes. The services fees are subject to the Contractual Control Entities's adjustment taking into account the actual situations of provision of services and our PRC Contractual Entities' operating status and development needs.

The Exclusive Technology Service and Management Consultation Agreement became effective upon execution and shall, subject to the applicable PRC laws or regulations, be effective for an indefinite period unless (a) the Contractual Control Entities's acquiring the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by the Contractual Control Entities by giving 30-day prior notice.

Shareholders' Rights Entrustment Agreement

Nanjing Xibai entered into a shareholders' rights entrustment agreement with Nanjing Xinchuang, Nanjing Xihui and the Relevant Shareholders on 30 December 2014 (the "Shareholders' Rights Entrustment Agreement"), pursuant to which the Relevant Shareholders irrevocably authorized Nanjing Xibai to exercise their shareholders' rights in our PRC Contractual Entities, including attending shareholders' meetings and exercising voting rights and dividend distribution rights. Nanjing Xibai is authorized to exercise any of the shareholders' rights without consulting or obtaining the consent of the Relevant Shareholders. Furthermore, Nanjing Xibai is entitled to authorize other individuals to exercise the shareholder's rights within the scope authorized by the Relevant Shareholders.

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Relevant Shareholders also entered into a power of attorney on the same date of the agreement (the "Powers of Attorney"). Pursuant to the Powers of Attorney, each of the Relevant Shareholders irrevocably appoints Nanjing Xibai or its designated persons to be appointed by it at its sole discretion to act as his/her/its exclusive attorney on his/her/its own behalf to exercise all rights in connection with matters concerning his/her/its rights as shareholder of our PRC Contractual Entities, including but not limited to:

— convening and attending shareholders' meetings of our PRC Contractual Entities, and exercising shareholder's voting rights with regard to all matters discussed and resolved during the shareholders' meetings;

— executing shareholders' meeting records, resolutions and other legal documents of our PRC Contractual Entities;

— directing the directors and legal representatives of our PRC Contractual Entities to act according to the intentions of Nanjing Xibai;

— exercising all other shareholders' rights under the constitutional documents of our PRC Contractual Entities;

— handling registration matters of our PRC Contractual Entities with the responsible registration authorities; and

— disposing and dealing with the equity interests of our PRC Contractual Entities held by the Relevant Shareholders.

The Shareholders' Rights Entrustment Agreement became effective upon execution and shall remain effective during the continuance of our PRC Contractual Entities. It shall be (a) automatically terminated upon Nanjing Xibai's acquiring the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

Equity Interest Pledge Agreement

Nanjing Xibai, Nanjing Xinchuang, Nanjing Xihui and the Relevant Shareholders entered into equity interest pledge agreements on 30 December 2014 (the "Equity Interest Pledge Agreement"), pursuant to which the Relevant Shareholders granted a first priority of security interest in their respective interests in the registered capitals of our PRC Contractual Entities. Under the Equity Interest Pledge Agreement, the Relevant Shareholders agreed to pledge all their respective equity interests in our PRC Contractual Entities to Nanjing Xibai, as a security interest, to guarantee the performance of contractual obligations and the payment of outstanding debts of the Relevant Shareholders and our PRC Contractual Entities under the Business Cooperation Agreement, the Exclusive Technology Service and Management Consultation Agreement, the Shareholders' Rights Entrustment Agreement and the Exclusive Option Agreement.

The Equity Interest Pledge Agreement became effective after execution and shall remain valid until all the contractual obligations of the Relevant Shareholders and our PRC Contractual Entities under the Contractual Arrangement have been fully performed and all the outstanding debts of the Relevant Shareholders and our PRC Contractual Entities under the Contractual Arrangement have been fully paid. The Equity Interest Pledge Agreement shall also be terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

Exclusive Option Agreement

Nanjing Xibai, Nanjing Xinchuang, Nanjing Xihui and the Relevant Shareholders and the Relevant Shareholders entered into exclusive option agreement with Nanjing Xibai on 30 December 2014 (the "Exclusive Option Agreement"). Pursuant to the Exclusive Option Agreement, among others:

- The Relevant Shareholders irrevocably granted the exclusive right to Nanjing Xibai to require the Relevant Shareholders to transfer their equity interests in our PRC Contractual Entities to Nanjing Xibai, or such entities or individuals designated by Nanjing Xibai as and when permitted by the PRC laws for a nominal consideration of RMB1.00 or the lowest value permitted by law.

- Our PRC Contractual Entities irrevocably granted the exclusive right to Nanjing Xibai to acquire the assets in whole or in part from our PRC Contractual Entities, in its favour or in favour of such entities or individuals designated by Nanjing Xibai as and when permitted by the PRC laws for a nominal consideration of RMB1.00 or lowest value permitted by law.

- The rights may be exercised at any time within the effective period of the Exclusive Option Agreement. The Exclusive Option Agreement became effective upon execution and shall remain effective during the continuance of our PRC Contractual Entities. It shall be (a) automatically terminated upon acquiring by Nanjing Xibai or its designated entities the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

Spouse Undertakings

The spouse of each of the Relevant Shareholders has signed an undertaking on 30 December 2014 ("Spouse Undertakings"). Pursuant to the Spouse Undertakings, each of the spouses of the Relevant Shareholders irrevocably undertakes that:

(i) the spouse has been made fully aware of the Contractual Arrangement and consented that such Relevant Shareholder is the sole beneficiary of all the rights and interests and solely assumes obligations under the Contractual Arrangement;

(ii) all the equity interests held by such Relevant Shareholder in our PRC Contractual Entities shall be deemed as assets solely owned by such Relevant Shareholder, not mutual assets jointly owned by him/her and the related Relevant Shareholder, and the Relevant Shareholder shall be entitled to dispose of the equity interests in accordance with the Contractual Arrangement without his/her consent;

(iii) the spouse will not claim any interests or rights in the equities or assets of our PRC Contractual Entities; and

(iv) in the event that the spouse obtains any interests in our PRC Contractual Entities, he/she will be subject to and abide by the terms of the Contractual Arrangement as if he/she was a signing party to such Contractual Arrangement, and at the request of Nanjing Xibai, he/she will sign any documents in the form and substance consistent with the Contractual Arrangement.

2. Revenue and Assets in relation to the Contractual Arrangement

During the year ended 31 December 2021, revenue attributable to the PRC Contractual Entities (i.e. the Contractual Arrangement) was approximately RMB105.9 million. During the year ended 31 December 2021, the total asset and net asset (i.e. the Contractual Arrangement) attributable to the PRC Contractual Entities was approximately RMB313.9 million and RMB–63.9 million respectively.

3. Risks Related to our Contractual Arrangement

Risks Related to our Contractual Arrangement

There is no assurance that the Contractual Arrangement with the PRC Contractual Entities will be deemed by the relevant governmental and judicial authorities to be in compliance with existing PRC laws and regulations or that it will be in compliance with future PRC laws and regulations, including but not limited to the new draft of the Foreign Investment Law (中華人民共和國外國投資法).

We believe that the Structured Contracts and such Contractual Arrangement with the PRC Contractual Entities does not infringe existing PRC laws and regulations or other mandatory requirements under PRC law. However, there can be no assurance that the Contractual Arrangement will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing PRC laws and regulations or the relevant governmental nor judicial authorities may in the future interpret the existing laws or regulations with the result that such Contractual Arrangement would be deemed to be in compliance of the PRC laws and regulations.

PRC regulations currently limit foreign ownership in PRC companies that provide value-added telecommunication services (excluding on-line data processing and transaction processing services, also called operating e-commerce), which include operating the Internet content platform, to 50%. In addition, foreigners and wholly-foreign owned enterprises are currently not eligible to apply for required licences for operating the Internet content platform in the PRC (excluding a limited number of sectors for wholly-foreign owned enterprises located in Shanghai Free Trade Zone). We are a limited liability company incorporated in the Cayman Islands and we conduct our operations mainly in the PRC through the Contractual Control Entities, our indirectly wholly-owned subsidiary. We and the Contractual Control Entities are foreigners and wholly-foreign owned enterprises under PRC laws and accordingly are ineligible to apply for the relevant licences to operate the Internet content platform. In order to comply with foreign ownership restrictions, our business in the PRC are mainly operated through the PRC Contractual Entities. As a result of the Contractual Arrangement, our Group is able to govern the financial and operating policies of the PRC Contractual Entities and to obtain substantially all economic benefits from the activities conducted by the PRC Contractual Entities. The rest of the economic benefits are retained by the PRC Contractual Entities as general working capital for their operation. Accordingly, the financial position and operating results of the PRC Contractual Entities are included in our Group's consolidated financial statements as if they are our Group's subsidiaries.

In addition, the MII Notice issued in July 2006 requires that ICP licence holders or their shareholders directly own the domain names and trademarks used by such ICP licence holders in their daily operations. The MII Notice further requires each ICP licence holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its licence. In addition, all the value-added telecommunication service providers are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. The MII Notice prohibits ICP licence holders from leasing, transferring or selling its ICP licence to any foreign investors in any form, or providing any resource, sites or facilities to any foreign investors for their illegal operation of telecommunications business in the PRC. The MII Notice has imposed a more stringent regulatory environment on foreign investment in value-added telecommunication business, which introduces an increased risk of the Contractual Arrangement being challenged by the relevant PRC regulatory authorities. Therefore, we cannot rule out the possibility that the relevant PRC regulatory authorities may require that we unwind the Contractual Arrangement as a result of their increased attention on companies such as ours following the introduction of the MII Notice.

In addition, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. We are aware of a press articles which reported that a Supreme People's Court ruling in October 2012 and two arbitral decisions from SIETAC in 2010 and 2011 invalidated certain contractual agreements which were considered to be entered into with the intention of circumventing foreign investment restrictions in the PRC in contravention of the PRC Contract Law and the General Principles of the PRC Civil Law (民法通則). It has been further reported that these court ruling and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted businesses in the PRC and (ii) the incentive for shareholders of the PRC Contractual Entities under such contractual structures to renege on their contractual obligations.

Pursuant to Section 153 of the PRC Civil Code, civil acts which violate the mandatory provisions of the laws and administrative regulations shall be void. If the Contractual Arrangement with the PRC Contractual Entities and its equity holder are adjudicated to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, including:

- the nullification of the Contractual Arrangement;
- imposing economic penalties and/or confiscating the proceeds generated from the operation under the Contractual Arrangement;
- discontinuing or restricting operations of the Contractual Control Entities and/or Nanjing Xihui and/or Nanjing Xinchuang;
- imposing conditions or requirements with which the Contractual Control Entities and/or Nanjing Xihui and/or Nanjing Xinchuang may not be able to comply;
- requiring us to restructure the relevant ownership structure or operations;
- taking other regulatory or enforcement actions that could be harmful to our business; and
- revocation of business licences and/or the licences of the Contractual Control Entities and/or Nanjing Xihui and/or Nanjing Xinchuang.

Furthermore, in January 2015, the MOFCOM published the new draft of the Foreign Investment Law (中華人民共和國外國投資法) (the "Draft New Law") for public comment, which if finally adopted, will have significant impact on the foreign investment regime of the PRC. Specifically, the Draft New Law introduces a new standard in defining the nature of a domestic enterprise. An onshore enterprise will no longer be deemed as a foreign-invested enterprise even if its immediate shareholders involve foreign individuals or foreign entities, as long as such enterprise's ultimate control person(s) is/are solely PRC investors, upon the competent authorities' approval. The Draft New Law was accompanied by the MOFCOM's notes (the "Notes") on, among others, the background, guidelines and principle, and main content of the Draft New Law and elaboration on several issues including the treatment of existing contractual arrangement which has established before the effectiveness of the Draft New Law. As a number of legislative stages have to be undergone before promulgation and implementation, the new Foreign Investment Law (the "New Foreign Investment Law") has not be formally promulgated and implemented so far.

As advised by the Company's PRC Legal Advisers, as of the date of this annual report, the Draft New Law and the Notes are both drafts without any legal effect and have been released for the purpose of public consultation, and a number of legislative procedures have to be undergone before the promulgation and implementation of the new Foreign Investment Law. Given this, there is uncertainty as to the potential impact of the Draft New Law. Under the Notes, MOFCOM proposed three possible ways, namely the reporting, verification or approval regimes, to deal with existing contractual arrangements that has been established before the New Foreign Investment Law taking effect and operates restricted or prohibited foreign-entry areas of business. It is not certain which one of the three possible regimes will be finally adopted in the New Foreign Investment Law. Based on the Draft New Law, if the ultimate control person of the contractual arrangements is a PRC investor, depending on which regime is finally adopted, then by reporting to, verification or approval by MOFCOM, such contractual arrangements can continue to operate. Considering the abovementioned analysis and based on the facts that our Group is currently participating in a restricted industry category for foreign investment and Ms. Li Juan and Mr. Cheng Li, our Controlling Shareholders, are PRC investors as defined under the Draft New Law subject to the New Foreign Investment Law and relevant interpretations and regulations to be formally promulgated and implemented by MOFCOM in the future, if the Draft New Law and the Notes take effect in its current form and content, and the competent authorities interpret and implement the Draft New Law strictly in accordance with such forms and contents, the Contractual Arrangement will likely be permitted to continue, and the risk that our Group will be prohibited from retaining its Contractual Arrangement or the PRC Contractual Entities are prohibited from continuing their business operations is relatively low. On the premises, and subject to other amendments before its formal promulgation and implementation, the Draft New Law will have minimal impact on the Contractual Arrangement and the control over the PRC Contractual Entities by our Group and the operations of our Group as a whole. However, we cannot exclude the possibility that MOFCOM may have contrary or different interpretation of the Draft New Law and the Notes, and there may be amendments to the Draft New Law and the Notes before formal promulgation and implementation of the New Foreign Investment Law which may have material adverse impact on our Group at the time when the New Foreign Investment Law becomes effective. There is uncertainty as to whether our Group will be treated as domestic investment based on the New Foreign Investment Law. In the event our business is not regarded as being held by PRC investors and still belongs to the restricted or prohibited category under the New Foreign Investment Law or other future PRC laws and regulations including industry policies and regulations and practice of industry competent authorities, in the worst case scenario, we have to unwind the Contractual Arrangement and discontinue our business under contractual arrangements, which contributes substantially to our revenue. As a result, we may be forced to dispose of our principal business to comply with such regulatory requirements and our Company will not be sustainable.

Any of these actions and situations may have a material adverse effect on our business, financial condition and results of operations. In addition, if the imposition of any of these consequences causes us to lose the rights to direct the activities of the PRC Contractual Entities or our right to receive its economic benefits, we would no longer be able to consolidate the financial results of the PRC Contractual Entities.

Relevant Measures taken by the Company

As disclosed in the circular of the Company dated 8 November 2018, the Company proposed replacement of the Original VIE Undertaking given by Ms. Li Juan and Mr. Cheng Li to the Company, as disclosed on pages 187 and 188 of the prospectus of the Company, with the revised measures (the "Relevant Measures"). The Company has adopted and taken the following Relevant Measures upon the relevant resolution being passed by way of poll at the extraordinary general meeting convened by the Company on 26 November 2018:

(i) it will ensure that a majority of the Directors on the Board are PRC nationals, to the extent permitted by applicable laws, regulations and rules; and

(ii) if the Company receives any proposal either from the Board or the Shareholder(s) with no less than one-tenth of the voting right at general meetings of the Company to amend any of the PRC Nationals Control Clause, the Director Election/Appointment Clause and/or the Additional Directors Appointment Clause, it will make full disclosure of the potential risks associated with such proposal and the scenario which may arise from such amendment, including but not limited to delisting of the Shares from the Stock Exchange, in the circular to be dispatched to the Shareholders of the Company. A special resolution passed by the Shareholders is required to approve any proposal to amend any of the PRC Nationals Control Clause, the Director Election/Appointment Clause and/or the Additional Directors Appointment Clause.

The Controlling Shareholders' Undertakings

Furthermore, Loyal Alliance, Prime Wish and Victory Glory, who are the Controlling Shareholders of the Company, will jointly undertake to the Company and the Hong Kong Stock Exchange (the "Controlling Shareholders' Undertakings"), to the extent of all their shareholdings in the Company from time to time that:

(i) they will not, severally or jointly, propose any resolution to amend the PRC Nationals Control Clause, the Director Election/Appointment Clause and/or the Additional Directors Appointment Clause in the Company's constitutional documents at the general meeting of the Company; and

(ii) they will vote against any proposal to amend the PRC Nationals Control Clause, the Director Election/Appointment Clause and/or the Additional Directors Appointment Clause in the Company's constitutional documents at the general meeting of the Company.

Our PRC Legal Advisers are of the view that if the New Foreign Investment Law finally takes the form and content of the Draft New Law and the Notes, and the competent authorities interpret and implement the Draft New Law strictly in accordance with such form and content, the Contractual Arrangement will likely be permitted to continue, and the risk that our Group will be prohibited from sustaining its Contractual Arrangement or the PRC Contractual Entities will be prohibited from continuing their business operations is relatively low.

We rely on the PRC Contractual Entities to provide certain services that are critical to our business and the breach or termination of any of our service agreements with the PRC Contractual Entities or any failure of or significant quality deterioration in these services could materially adversely affect our business, financial condition and results of operations.

We rely on the PRC Contractual Entities to provide certain services to our customers that are critical to our business, such as the operation of our Platform. Since we only control the PRC Contractual Entities through the Contractual Arrangement, we face certain risks with respect to our arrangements with the PRC Contractual Entities and the performance of the arrangement by the PRC Contractual Entities. If the PRC Contractual Entities were to breach any of its obligations under the Contractual Arrangement, we may not be able to find a suitable alternative service provider or be able to establish and operate our platform in a legal or timely manner. The breach by the PRC Contractual Entities of any of the Contractual Arrangements could materially adversely affect our business, financial condition and results of operations.

We depend upon the Contractual Arrangement with the PRC Contractual Entities in conducting our operations and receiving payments through the PRC Contractual Entities, which may not be as effective in providing operational control as direct ownership.

We have no equity ownership interest in the share capital of the PRC Contractual Entities, and conduct substantially our operations, and generate substantially our revenues, through the Contractual Arrangement, which may not be as effective in providing us with control over the PRC Contractual Entities as if they were direct wholly-owned subsidiaries.

The Contractual Arrangement is governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. If any of the PRC Contractual Entities or any of the Relevant Shareholders fails to perform its obligations under the Contractual Arrangement, we may have to rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which we cannot be sure would be effective. The legal environment in the PRC is not, however, as developed as in other jurisdictions. As a result, uncertainties in the PRC legal system could limit our ability to enforce such Contractual Arrangement.

In addition, any suits, arbitration or any other form of legal or dispute resolution proceedings against the Relevant Shareholders may require all assets held by such shareholders to be kept under court custody during the proceedings. If such were the case, there is no assurance that the equity interests held by such shareholders in the PRC Contractual Entities can be transferred to our Group in accordance with the Contractual Arrangement.

Certain terms of the Structured Contracts under the Contractual Arrangement may not be enforceable under PRC laws.

The Contractual Arrangement provides for dispute resolution by way of arbitration in accordance with the arbitration rules of SIETAC in Shanghai, the PRC. The Structured Contracts contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of our PRC Contractual Entities, injunctive relief and/or winding up of our PRC Contractual Entities. In addition, the Contractual Arrangement contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal or in other appropriate cases.

However, the abovementioned provisions contained in the Structured Contracts may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in the PRC Contractual Entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Contractual Arrangement.

The PRC laws allow an arbitral body to award the transfer of assets of, or an equity interest in, the PRC Contractual Entities in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against the PRC Contractual Entities as interim remedies to preserve the assets or shares in favour of any aggrieved party. Even though the Contractual Arrangement provides that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognized or enforced by PRC courts. As a result, in the event that the PRC Contractual Entities or any of its shareholders breaches any of the Contractual Arrangement, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over the PRC Contractual Entities and conduct our business as well as our financial conditions and results of operations could be materially and adversely affected.

4. No Material Change

Khorgos Xizhi and Nanjing Xibai are wholly foreign owned enterprise and wholly-owned subsidiaries of the Company. Hubei Xiyuan is controlled by Nanjing Xibai and included in the Group's consolidated financial statements for the year ended 31 December 2020 as the Group's subsidiary through the Contractual Arrangement outlined in this Report. Khorgos Xizhi and Hubei Xiyuan were deregistered on 23 September 2020 and 22 September 2020, respectively.

Since the rights and obligations under the Contractual Arrangement of (i) Khorgos Xizhi will be assumed by Nanjing Xibai which is our other wholly foreign owned enterprise; and (ii) Hubei Xiyuan's related business continues to be operated by Nanjing Xihui and Nanjing Xinchuang , therefore there is no material impact on the business operation or financial performance of the Group as a result of the deregistration of Khorgos Xizhi and Hubei Xiyuan.

Save as disclosed above, as at the date of this annual report, there is no material change in the Contractual Arrangement and/or the circumstances under which they were adopted.

5. Unwinding of Contractual Arrangement

It is the intention of the Group to unwind the Contractual Arrangement when foreign investment in value-added telecommunication services is no longer restricted in the PRC.

However, as at the date of this report, there is no unwinding of any of the Contractual Arrangement or failure to unwind when the restrictions that led to the adoption of the Contractual Arrangement are removed.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Company during the Reporting Period are set out in note 35 to the financial statements. The Company confirms that such related party transactions does not fall under the definition of connected transaction or continuing connected transaction in Chapter 14A of the Listing Rules and therefore it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PENSION SCHEME

Details of the pension scheme are set out in note 2.4 to the financial statements.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

The details of remuneration of Directors and senior management of the Company are set out in the notes 8 and 9 to the financial statements.

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2021, pursuant to the Articles of Association, the Directors were indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they might incur in connection with the execution of their duty.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

RISKS AND UNCERTAINTIES

Our Group believes that there are certain risks and uncertainties in our operations, some of which are beyond the Group's control, including:

(i) The Group is unable to guarantee that the Contractual Arrangement with the PRC Contractual Entities will be deemed by the relevant governmental and judicial authorities to be in compliance with existing PRC laws and regulations or that it will comply with future PRC laws and regulations, including but not limited to the new draft of the Foreign Investment Law of PRC (中華人民共和國外國投資法).

Our Directors have already formulated monitoring measures and examine the risk evaluation and report regularly, the details of which are set out in the Contractual Arrangement.

(ii) The revenue of the Group relies significantly on the marketing and promotional services provided and new businesses may not be successfully developed and introduced going forward.

Since the operational environment in the Internet industry has never-ending changes and improvements, we believe we should timely keep track of the industry, market and customer demands development to review our business strategies. We jointly make investigation and assessment with industry experts and partners in addition to monitoring the market and industry by ourselves.

We optimize our sales and promotion models constantly through innovation to satisfy the demand of existing customers and explore new customers at the same time.

The Group will develop diversified business actively to anticipate comprehensive income. We will continue to propel industry chain cooperation and upgrade strategies, exploit more demands from mother-child households and formulate project management system to explore high-quality and suitable cooperation projects.

Research and development of technology is our significant support in business development. We have management system in place for technological research and development, so as to facilitate effective business development through technology.

(iii) The Company's investment scale is expanding which results in the failure to carry out timely and effective management may affect realization of investment expectations.

The Company pays close attention to investment risks and has established an investment team to make recommendations on investment matters. Our financial department, legal advisers and technical team are responsible for the follow-up of post-investment management so as to continuously monitor the status of business development and financial risks of investees. The Company has established an investment management system to implement relevant risk management and internal control measures. The Company also obtains relevant professional experience and knowledge by consulting external experts. Due to the uncertainties of the epidemic, the Group will continue to monitor the development of the epidemic, evaluate its impact, respond in an active manner and make timely disclosures.

(iv) At the date of this report, the Group expects that the impact of the outbreak of the novel coronavirus epidemic on its business would be limited. However, due to the uncertainties of the epidemic, it is difficult to estimate its influence in the future. The Group will continue to monitor the development of the epidemic, evaluate its impact, respond in an active manner and make timely disclosures.

ENVIRONMENTAL POLICY AND PERFORMANCE

We keep on enhancing our operation in the environment, society and governance, corporate governance and risk management aspects to create and provide sustainable values for all stakeholders. In view of our business nature, we are not aware of any environmental laws and regulations that have material impact on the Group. However, the Group will continue to adopt measures in low-carbon works, green procurement and encourage environmental protection actions for the market and the society. Meanwhile, we encourage employees to be responsible for environment from their behaviors. During the Year, the Group performed its corporate citizen responsibility actively through rendering community services, organizing public welfare activities and made social donations. Meanwhile, we also encourage employees and more individuals to participate in public welfare activities. The details regarding the sustainable development of our market promotion, working environment, community and environment are set out in the section under the Environment, Social and Governance Report, which was reviewed by our Directors.

EMPLOYEES, MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate sales attributable to the Group's five largest customers accounted for 58.04% (2020: 31%) of the Group's total sales and the sales attributable to the Group's largest customer was approximately 38.42% (2020: 7%) of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers were approximately 38.74% (2020: 70%) of the Group's total purchases and the purchase attributable to the Group's largest supplier was approximately 14.28% (2020: 42%) of the Group's total purchases.

As far as the Directors are aware, none of the Directors or any of their associates or any Shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had beneficial interests in the Group's top five suppliers or customers referred to above.

The Group has not relied on any individual customer and supplier as regard to its business which has a significant impact on the Group.

The Group adopts people-oriented approach, provides employees with reasonable working rewards and continues to improve systems in salary and benefits, training, professional health and safety to retain talents. The Group maintains good relationship with customers and establishes channels for solving customers' problems and giving feedback to ensure the quality of service. The Group also maintains good relationship with suppliers and conducts fair and strict review about suppliers.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Main Board Listing Rules.

PROFESSIONAL TAX ADVICE

If the Shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

AUDITOR

Baker Tilly HK has resigned as the auditors of the Group with effect from 10 November 2021. Confucius International CPA Limited has been appointed as the auditors of the Company with effect from 12 November 2021 to fill the casual vacancy following the resignation of Baker Tilly HK and to hold office until the conclusion of the next annual general meeting of the Company. Save as disclosed above, the auditor of the Company remained unchanged as of the publication date of this report. The Board confirmed that there are no matters in respect of the change of auditor that need to be brought to the attention of the Shareholders.

The resolution on reappointment of Confucius International CPA Limited as the auditor of the Company will be proposed by the Company at the 2021 AGM.

By the order of the Board
China Parenting Network Holdings Limited
Cheng Li
Executive Director and Chief Executive Officer

Nanjing, 31 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORT FRAMEWORK AND SCOPE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report primarily reported on the performance of the Group in the area of environmental and social responsibilities in 2021. The Board has reviewed and approved the report.

Unless otherwise specified, this reporting period and the report scope covered includes all consolidated subsidiaries from 1 January 2021 to 31 December 2021 (the "Year" or the "Reporting Period"). The report covers our businesses, namely (i) provision of marketing and promotional service; (ii) e-commerce business; and (iii) licensing of smart-hardware devices. Our existing principal places of operation and staffs are located in offices rented in Nanjing, China. We also have office rented in Hong Kong.

REPORT STANDARDS AND PRINCIPLES OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Group was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") set out in Appendix 27 of the Listing Rules. The content covered in this report is based on the "comply or explain" principle required by the guidelines. This report outlines four main principles following the guidelines of:

Materiality

— Through the assessment of importance and the engagement of the Group's stakeholders, the Board reviewed and prioritized the most relevant environmental, social and governance matters to the Group. Details of stakeholder engagement can be found in the section headed "Assessment of Importance".

Quantitative

— In the calculation and disclosure of environmental and social key performance indicators ("KPIs") in this report, relevant standards and methodologies were used to ensure that the data disclosed is measurable and comparable.

— The Group sets performance targets for key performance indicators based on historical information and business development plans.

Balance

— This Environmental, Social and Governance Report avoids the use of screening, omission or reporting methods that may unduly affect readers' judgments, in order to fairly reflect the Group's environmental, social and governance performance during the reporting period.

Consistency

— The data calculation methods used in this ESG report should be consistent to facilitate comparison with historical data.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") OBJECTIVES

Adhering to the corporate philosophy of "Integrity, Professionalism, Faith, Persistence", the Group sincerely rewards the society, advocates the core parenting values of health, happiness, self-confidence, efficient, and prompt, and actively bears environmental and social responsibilities. All of these are the major objectives for the Group's management and operations so as to achieve harmonious, long-term and sustainable development between the Group and the society, environment and the economy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FRAMEWORK

We have established a two-tier ESG governance structure to enhance ESG risk management and control. The Board has full responsibility for ESG strategy and reporting, and regulates the Group's ESG risk management and internal controls with the support of top management. The Board has mandated the Environmental, Social and Governance Working Group (the "Working Group") to assist in the implementation and monitoring of ESG strategies and risk management. The Working Group is composed of board members and representatives of key departments of the Group.

The main responsibilities of the Board:

— Oversee the Group's environmental, social and governance practices and strategic development

— Formulate the Group's environmental, social and governance strategies and policies

The main responsibilities of the Working Group:

— Assist the Board in implementing the Group's overall environmental, social and governance management policies and strategies

— Track the Group's progress towards achieving ESG performance targets

— Identify and assess ESG-related risks and control mechanisms

— Measure priority and management importance of ESG-related issues

— Review whether important quantitative data or qualitative description collection templates are applicable

— Prepare gap analysis and evolution of environmental, social and governance data between industries

— Strengthen awareness advocacy and common sense training for employees, suppliers, partners, etc.

— Reduce energy consumption by using technical means

— Consider increasing budgetary options for ESG benefits

STAKEHOLDERS AND SIGNIFICANT ISSUES ASSESSMENT

We attach great importance to communication with stakeholders, pay close attention to their expectations of our environmental and social responsibilities, and also conduct regular communication every year. We use various channels to enhance stakeholder participation in our business strategy formulation, including but not limited to ongoing communications, questionnaires, meetings and training courses. The Board considers this move can:

— effectively balance the expectations, opinions and goals of all parties, strive for the best long-term interests for all stakeholders, and jointly shoulder more social responsibilities;

— give us more advantages in resource utilization, talent development and innovation management, and improve our competitiveness; and

— improve the risk control ability and make the possibility of negative events such as violations and lawsuits less likely.

- ### Communication with Stakeholders

We have identified stakeholders with influence, decision-making power and high relevance to the development of the Group. The main stakeholders we have identified are as follows:

Stakeholders	Major Issues	Major Communication Channels
Users/customers	Product and service quality Protection and management of user/customer information Integrity and commercial practices	User/customer services Online and offline questionnaire Convey corporate culture and business ethics
Shareholders/investors	Investment return Business development strategies Sustainable development and long-term interest Corporate governance transparency	General meetings Corporate announcements Investors meeting Investor relation services
Employees	Remuneration and benefits Career development planning Occupational health and safety initiatives Work-life balance Equal opportunity Low-carbon office	Periodic performance review Staff training and activities Employee satisfaction survey Corporate internal information platform and internal journal Face-to-face communication and letter box
Governments/regulatory authorities	Compliance management Policy compliance Supporting policies Local regulations and actual practices Public engagement	Meetings Periodic report Policy consultation Joining industry associations Cooperation in company visit

Stakeholders	Major Issues	Major Communication Channels
Suppliers	Product and service quality Order/contract execution Environmental responsibilities Business ethics	Suppliers assessment Site visits Periodic communication Audit
Community and public	Promoting employment Volunteer services Charity and donation Contribution to society Environmental responsibilities	Self-owned public welfare project platform and resources Social media Non-profit welfare organization Employee participation in volunteers and charity activities

- **Assessment of the Importance of ESG issues**

By analyzing the HKEX ESG report guidelines, communicate with internal and external stakeholders of the company on important issues, understand their expectations for the company, and identify a list of important issues related to the Group's business.

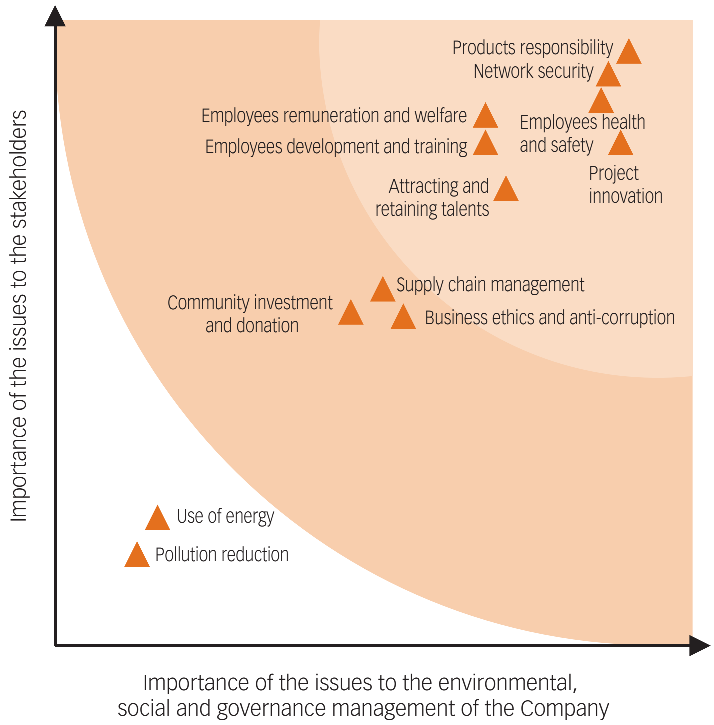
— Internal stakeholders mainly consider from the perspective of meeting the Company's long-term development strategy, existing competitive edges, and grasping changing market development opportunities

— External stakeholders mainly consider from the perspective of the degree of influence created by the relevant groups themselves, the urgency of decision-making of the Group and the improvement of market conduct

During the reporting period, we conducted a total of 4 telephone interviews and online questionnaires with internal and external stakeholders to understand their concerns on the Group's ESG practices. We also identified the list of important issues of the Group through media search, benchmarking analysis, and participation in government-organised social responsibility-related meetings and social activities. From the two aspects of the impact on the Group's strategic management and the impact on stakeholders, according to the ranked importance of issues on the list, we completed the assessment of the importance of issues of the year. The Board has reviewed and approved the results of this assessment.

ASSESSMENT OF THE IMPORTANCE OF ESG ISSUES

Assessment of the importance of ESG issues



ENVIRONMENT

The Group values management of environment. We recognizes the importance of sustainable environmental development to on-going business operation. In the course of business, we introduced the concept of environmental protection, complied with the requirements of local regulatory authorities and specific guidelines in the industry and are committed to the social responsibility of protecting environment as a corporate. Our environmental protection policies advocate low-carbon office, green procurement and promotion of environmental protection to the market and society. As the Group is an internet corporate, our operation has relatively small impact on the environment.

The Company complies with "Environmental Protection Law of the People's Republic of China 《中華人民共和國環境保護法》", "Atmospheric Pollution Prevention Law of the People's Republic of China 《中華人民共和國大氣污染防治法》", "Water Pollution Prevention Law of the People's Republic of China 《中華人民共和國水法》" and "Energy Conservation Law of the People's Republic of China 《中華人民共和國節約能源法》", and actively study the environmental protection condition issued by the local environmental management authority and the guidelines of enterprise management standards.

In 2021, to the best knowledge of the Group, there was no material non-compliance with relevant standards, rules and regulations.

- ## Environmental Goals

We understand that companies need to shoulder the social responsibility of protecting the environment. As of December 31, 2021, the Group has set preliminary directional goals in terms of energy efficiency, water efficiency, waste reduction and greenhouse gas emissions. We will review and examine the implementation progress of various environmental protection goals and measures, and monitor various emission sources to identify more opportunities for energy conservation and emission reduction. In the future, we will set more specific quantitative environmental goals to ensure that resources are used properly and contribute to mitigating climate change.

Environmental Scope	Goal
Energy Efficiency and Greenhouse Gas Emissions	Actively implement, maintain or gradually reduce electricity consumption in accordance with the Group's electricity saving measures
Water Efficiency	Actively implement, maintain or gradually reduce water consumption in accordance with the Group's water conservation measures
Waste Reduction	Actively implement, maintain or gradually reduce waste generation according to the Group's material saving measures

- ## Carbon Dioxide Emissions

The Group's main emission was carbon dioxide indirectly emitted from electricity consumption in the ordinary course of business and operating activities. Our direct power consumption mainly comes from offices and machine rooms in the properties where the Group's business operations are located. We calculated the data of carbon dioxide emissions indirectly produced according to the electricity bill provided by the properties. As reviewed by the Group, the carbon dioxide emissions of the Group during the Reporting Period were as follows:

Carbon Dioxide Emissions	Unit	2021	2020
Mainland Headquarters Electricity Indirect Emissions(1)	Metric Tons of Carbon Dioxide Equivalent	56.74	87.65
Hong Kong Office Electricity Indirect Emissions(1)	Metric Tons of Carbon Dioxide Equivalent	2.76	3.71
Total	Metric Tons of Carbon Dioxide Equivalent	59.50	91.36
Intensity of Mainland Headquarters(3)	Metric Tons of Carbon Dioxide Equivalent/square meter	0.07	0.09
Intensity of Hong Kong Office(3)	Metric Tons of Carbon Dioxide Equivalent/square meter	0.01	0.01

Note:

(1) The businesses owned or controlled by the Group do not involve GHG emissions directly generated in scope 1 (directly generated greenhouse gas emissions), mainly generated from electricity purchased from power companies in scope 2 (electricity and gas emissions).

(2) Data for Nanjing, China is calculated in accordance with the average CO2 emission factors of power grid in Jiangsu Province listed on the "Calculating Method and Data Form for CO2 Emission (《二氧化碳排放核算方法及數據核查表》)" published by Ministry of Ecology and Environment of the People's Republic of China. While data for Hong Kong, China is calculated in accordance with the CO2 equivalent coefficient provided by HK Electric, a Hong Kong electric company.

(3) Intensity has been listed separately for Mainland Headquarters and Hong Kong Office, not applicable for aggregate totals.

The Group will continue to monitor and reduce its carbon consumption and consider tracking its carbon footprint in a timely and more comprehensive manner.

In 2021, total indirect emissions and the intensity from electricity consumption decreased as compared to 2020. This is due to the relocation of the mainland headquarters to a new property since 2020, where the efficiency of office use was optimized and the central air-conditioning and lighting system were uniformly managed by the building management office to improve the overall comfort of the office area.

- **Resources Utilisation**

Due to the nature of our business, our operating process consumes less resources than other major industrial manufacturers. The main resources we consume are purchased electricity for daily official duties and operations in the premises. In 2021, the use of resources of the Group was as follows:

Energy and Resource	Unit	Mainland Headquarters 2021 Total	Hong Kong Office 2021 Total	Total(2)
Purchased electricity	Thousands of kWh	75.68	3.89	79.57
Intensity	Thousands of kWh/m^2	0.09	0.01	–
Water consumption	Cubic meters	29.97	Not Applicable(1)	29.97
Intensity	Cubic meters/m^2	0.04	Not Applicable(1)	–
Printing paper	Metric tons	0.60	0.01	0.61
Intensity	Metric tons/m^2	0.0007	0.0001	–
Packaging paper	Metric tons	14.02	0.05	14.07
Intensity	Metric tons/m^2	0.02	0.0002	–

Energy and Resource	Unit	Mainland Headquarters 2020 Total	Hong Kong Office 2020 Total	Total[2]
Purchased electricity	Thousands of kWh	116.90	3.91	120.81
Intensity	Thousands of kWh/m^2	0.12	0.01	–
Water consumption	Cubic meters	434.66	Not Applicable[1]	434.66
Intensity	Cubic meters/m^2	0.44	Not Applicable[1]	–
Printing paper	Metric tons	0.60	0.01	0.61
Intensity	Metric tons/m^2	0.0007	0.0001	–
Packaging paper	Metric tons	12.80	0.05	12.85
Intensity	Metric tons/m^2	0.02	0.0002	–

Note:

(1) In Hong Kong, the water supply service for offices is provided by the building management. In this case, water consumption data is not available.

(2) Intensity has been listed separately for Mainland Headquarters and Hong Kong Office, not applicable for aggregate totals.

In 2021, total purchased electricity water consumption, and the intensity have decreased as compared to 2020. This is due to the relocation of the mainland headquarters since 2020, where the central air-conditioning and lighting system were uniformly managed by the building management office to optimize the efficiency of water and electricity use. The increase in the total amount of packaging paper was mainly used for logistics delivery due to the increase in the related business volume.

- **Energy-saving and Emission Reduction Measures**

The Group believes that reasonable utilisation of resources is an area of focus in its sustainable development. Enhancing energy efficiency in operation will not only help environmental conservation, but also reduce costs and boost operational efficiency in the long run. The Group proposes "low-carbon office" and enhances its management system constantly in many aspects including improving energy utilisation rate, saving water, electricity and energy as well as recycling wastes, and at the same time encourages employees to develop a "low-carbon habit". During the reporting period, we implemented the following major measures:

— ***Water consumption***

Since our water was domestic water generated from offices in the properties where our business operations were located, no problems were found when obtaining the applicable water source. Such water data was calculated mainly based on water bills provided by the properties. We posted water-saving notices in toilets as reminders. We strengthened our daily maintenance management of water equipment, repaired damaged water supply facilities in a timely manner and checked and replaced faucets and pipe valves regularly.

— ***Paper consumption***

With the co-operation of every department, we continuously increased online approvals for OA systems to reduce paper approvals.

We reduced colour printing configuration for several printers, and posted energy-conservation operating requirements such as black and white printing, double-side printing, recycle of used paper, and fully use of ink cartridges in printing area.

We have already reduced unnecessary printing and strictly control issuance of printing materials to avoid unnecessary wastage.

We strictly controlled the usage of courier bills, carton boxes and file envelopes required by post. We have cooperated with courier companies to reduce the size of courier bills to strengthen reuse,

— ***Meetings and travels***

The Group advocated to reduce any non-necessary business travel.

The Group established no fleet, therefore there was no direct gasoline emissions. It also encouraged employees to use public transport for business trips and work.

Meetings for cross-regional communication were encouraged to be held by electronic means wherever feasible.

— ***Electricity-saving measures***

Through enhancing air tightness of walls and summer shading of windows, repairing air-conditioning system and cleaning pipeline network, energy consumption by air-conditioning operation was reduced.

Through altering part of office layout to enhance temperature control and the control of usage of time in air-conditioning areas, the efficiency of energy usage was improved.

Through applying innovative technologies to data center, the server usage efficiency was increased and the use of cabinets was reduced.

Energy-saving and environmental protection office equipment was procured and configured.

Automatic sleep mode was used for air conditioners and office equipment to reduce power consumption.

Aged electrical appliances with low-efficiency are replaced.

The electricity-saving labels were added, and non-necessary equipment was timely shutdown under patrol supervision.

— ***Employee training and activities***

The Group considered low-carbon and energy-saving as employees' performance evaluation standard and incorporated such areas into regular training to push its policy forward.

We conducted promotional campaigns for our employees on World Earth Day every year to raise low-carbon office awareness and public environmental protection awareness.

• Wastes Treatment and Recycling

Owing to its business nature, the Group was not aware of any material hazardous wastes generated. Owing to our business nature, our operations generate less waste than other types of enterprises. Our wastes were mainly generated in the office. Our discharge water volume was as equivalent to office water consumption in calculation. Our wastes were mainly office wastes, domestic waste in offices and packaging materials for courier services.

Our recyclable wastes mainly included waste paper, waste cardboard, obsolete office furniture, home appliances, computers, and a small amount of materials used in office renovation (including relocation and decoration).

Our special waste mainly included discarded print cartridges, ink cartridges and waste lamp etc. which were produced from the printing equipment in our office premises. In 2021, the Group's waste measurement (including China and Hong Kong offices) was as follows:

Waste	Unit	Total in 2021	Total in 2020
Discharge Water Volume	Cubic meters	29.97	434.66
Intensity	Cubic meters/m^2	0.04	0.44
Recyclable Wastes	Kg	255	250
Intensity	Kg/m^2	0.32	0.25
Special Waste	Kg	19	20
Intensity	Kg/m^2	0.02	0.02

Compared to 2020, the total amount of waste decreased slightly in 2021, due to the decrease in overall usage in office operations.

We have reduced waste generation and achieved effective waste recycling through the following measures:

- Advocate waste sorting and recycling. Our waste was mainly divided into recyclable waste, kitchen waste and other waste.
- Special waste such as discarded print cartridges and ink cartridges are recycled and disposed of by qualified suppliers.
- Some of the food wastes and other wastes have been disposed by the property management company where they are located and cannot be measured separately. The Company has made urban waste disposal payment, which is based on the number of employees, according to the invoice issued by the municipal management fee collection bureau.
- Reduce the use of disposable items such as paper cups and chopsticks.
- Put up slogans to advocate food cherishing and kitchen waste reduction.
- Advocate less consumption of office supplies and better use of public facilities.
- Advocate waste recycling, such as making discarded items into creative decorations.

In 2021, our Directors considered that the Group's energy-saving measures were slightly refined and resources utilisation was overall slightly improved as compared with 2020. We will keep focusing on and improving such performance.

- **Climate Change**

The Group is well aware of the adverse effects of climate change. The Working Group has identified the following climate-related risks based on climate-related financial disclosures:

Extreme Events	Impact on the Group Extreme weather creates safety concerns for employees	Mitigation Provide employees with safety training to increase their safety awareness and develop contingency plans to ensure prompt responses in emergency situations
Policy Risks	Impact on the Group Enhanced understanding of sustainability reporting and ratings of key local and international guidelines, with particular emphasis on climate change	Mitigation Monitor regulatory trends and ensure that the Group's operations comply with relevant ESG requirements; identify areas for ESG improvement and implement relevant measures where applicable

SOCIETY

- **Employment and Labour Practices**

The Group upholds the philosophy of "people-oriented" by providing a desirable working environment to employees, safeguarding their health and safety and encouraging them to align personal growth with corporate development so as to facilitate the mutual development of employees and the Group. We strongly believe that talent is our most valuable asset and the cornerstone of our long term development.

- **Labour Standards**

The Group has formulated a comprehensive human resource policy in terms of employment, dismissal, promotion, vacation, training and welfare, etc. to support our work in human resources. During the reporting period, after reviewed by the board of directors, the Group has complied with "Labour Law of the People's Republic of China 《中華人民共和國勞動法》", "Labour Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》", "Law of the People's Republic of China on the Protection of Minors 《中華人民共和國未成年人保護法》", "Law of the People's Republic of China on the Protection of Women's Rights and Interests 《中華人民共和國婦女權益保障法》", and employment regulations in the relevant jurisdictions where our business is located. We sign labour contracts with employees in accordance with the law, follow the principle of voluntariness and never force employees to provide labour by means of violence, threats or illegal restrictions on personal freedom; the Group has strictly abided by the fair employment opportunities in different regions; During the recruitment process, we require each job seeker to provide information on identity document, educational background, qualifications and work experience, which will be reviewed and verified by the Human Resources Department. This allows us to hire the right people for the job and avoid child labour. During the reporting period, the Group did not have any non-compliance incidents involving child labour or forced labor or employment disputes.

The Group continues to improve regulatory framework including "Employee Manual", "Human Resources Management System", "Employees Performance Management System" and "Attendance Management System", which provide clear regulations for employment, dismissal, remuneration and welfare and performance evaluation. These systems are established and maintained in accordance with relevant laws, regulations and market practices. The Human Resources Department is responsible for the publicity and promotion of the rules and systems above to ensure that employees understand the corporate policies and their entitlement to equitable, fair and reasonable labour rights.

- **Remuneration and Benefits**

Our remuneration policy is performance-oriented, and designed to reward well-performed and highly motivated employees. We have a well-established performance management system. While performance assessment for each employee is conducted quarterly by his/her supervisor, he/she shall also perform self-assessment or report his/her work as required. Performance target is set by employees together with their supervisors. Supervisors are encouraged to provide constructive feedback to every employee from time to time.

During the reporting period, in order to further motivate staff members and teams to be innovative and encourage them to take challenges, the Company organised innovative project selection activities and set up innovation funds and target achievement awards.

Our basic benefits system has been developed and maintained in accordance with relevant laws, regulations and market practice. Apart from this, the Company has established its staff club and organised sports events and leisure activities for its employees and provided funding support for the club activities. The Company organises thematic team-building activities, including annual sports events, annual travel, annual gala, quarterly departmental activities and ad hoc interesting thematic group activities, with an aim to develop team spirit. The Company celebrates employees' special moments with gifts, such as festive gifts, birthday gifts and length of service gifts.

- **Promotion**

The Group organises talent selection, assessment, promotion and reserve procedures every year. Employees may apply for promotion during their interim and year-end performance assessments, provided that they satisfy the length of service and performance requirements. Depending on work service scope, the promotion is reviewed and considered by different internal committees. The promotion review process is fair and open.

- **Equal Opportunities and Diversity**

The Group is committed to providing a fair and diversified workplace with no discrimination, and does not discriminate on the grounds of gender, ethnicity, race, disability, age, religious belief, sexual orientation or family status. Diversity is well supported in our corporate culture. Both male and female staff members of the Group share equal opportunities for employment and promotion. The Group also engages disabled employees as full-time or part-time employees and ensures that they have the same benefits with other employees.

Our female employees who were pregnant and gave birth during their employment generally return after their maternity leave. Our female employees are entitled to a half-day holiday on International Women's Day.

As at 31 December 2021, the Group had a total of 118 employees, details of which are as follows:

Breakdown by types of employment
Full time: 80.1% Internship: 19.9%

Breakdown by gender
Female: 72.1% Male: 27.9%

Breakdown by region of employment
Mainland of China: 97% Hong Kong:3%

Breakdown by age group
30 and below: 47.7%
31–50: 51.3%
Over 51: 1%

- **Employee Resignation**

We attach importance to the relationship with leaving employees and handle employees' resignation strictly in accordance with applicable laws and regulations. The company maintains a respectful employment relationship with its employees. Employees can terminate the employment relationship on their own. The Human Resources Department will arrange proper communication with the resigned employees, understand their reasons for resignation and suggestions for improvement, and welcome them to reapply to work for the company.

As at 31 December 2021, turnover rate of the Group's staffs (excluding interns) are as follows:

Annual employee turnover rate by year: 4% (Mainland of China)

(By gender) Percentage of resigned male employees: 32%
Percentage of resigned female employees: 68%

(By age group) Percentage of resigned employees aged 30 and below: 65%
Percentage of resigned employees aged 31 to 50: 35%
Percentage of resigned employees aged 51 and above: 0%

- **Employee Communication**

We are dedicated to establishing comprehensive communication channels for employees so as to improve the internal information platform of the Company in accordance with the needs of employees and enhance the communication efficiency. Currently, official channels are in place for employees to voice their views and receive feedbacks. The Company conveys its corporate strategy, culture and corporate development situation to employees through releasing electric publications on a regular basis. We conduct employee satisfaction surveys with employees every year to collect their suggestions and opinions.

- **Health and Safety**

The Group complies with the "Safety Production Law of the People's Republic of China《中華人民共和國安全生產法》", "Fire Protection Law of the People's Republic of China《中華人民共和國消防法》", "Occupational Disease Prevention Law of the People's Republic of China《中華人民共和國職業疾病防治法》" and other laws and regulations related to occupational health and safety and fire safety in the workplace. The Group strives to maintain high occupational safety and health standards, and provides a safe workplace for its employees. The Group formulates policies related to health and safety and arranges health and safety training for all new employees to strengthen their health and safety awareness. As far as the Group is aware, there was no material non-compliance with relevant standards, rules and regulations in 2021. In 2021, the Company mainly focused on the situation where employees may have potential chronic occupational hazards in their working environment and environmental pollution, and strengthened the management of employees' health and safety.

The Group adopted the following health and safety measures:

— Adjust and replace the lighting facilities to make lighting in office more comfortable for eyes;

— Maintained first-aid kits with proper placement of medical and pharmaceutical supplies and conducted monthly checking on medicine stock and their expiry dates to ensure the medicine provided by the Group can fulfil employees' daily health and first-aid needs; and provide suitable labour protection supplies for employees;

— Performed periodic cleaning on drinking facilities and air-conditioning, and carried out pest control and dust removal regularly and enhanced sterilisation measures in office during epidemic period;

— Added air purification equipment in office and enhanced ventilation in office;

— Made appropriate alterations to office area and added adequate living facilities in functional area and set up nursing room for breast feeding female employees as well as added more green plants;

— Centralised the use of higher power electric household appliances and established standards for electrical safety for the employees and strengthened fire-fighting devices;

— Promoted employees' awareness of travel safety and made appropriate adjustment of attendance under extreme weather conditions such as rainstorm and snowstorm;

— The Group built a fitness room in the office area and set up a number of fitness equipment. At the same time, the Group has established a yoga club, a swimming club and other leisure clubs for our staffs and provide activity funds for those clubs;

— Offered health and safety training for new employees;

— The Group provided employees (including interns) with employment and annual physical examination and purchased commercial insurance related to health and safety for them;

— Enhanced safety monitoring and inspection in office areas, created a smoke-free office environment, advise employees to quit smoking and strengthen exercise.

During the year ended 31 December 2021, the Group did not encounter any major accident during operation. There was no work-related fatality or work-related injury.

Number of fatalities due to work in 2019, 2020 and 2021: 0
Number of working days lost due to work-related injuries during the reporting period: 0

Business Management During the COVID-19 Outbreak

In 2021, during the epidemic prevention and control period, the company abided by the prevention and control management measures issued by the local government, organized employees to flexibly arrange working time and location, improved the software and hardware configuration of online office, controlled the registration of personnel entering and leaving the office area and their nucleic acid testing, measured the temperature of employees on duty, strengthened the disinfection of the office, regularly distributed protective items such as masks, alcohol and disinfectant to employees, and formulated and publicized daily preventive measures and emergency measures. The company also urged employees with risky travel history to take nucleic acid testing and quarantine themselves according to government regulations, and reported on the epidemic prevention work in the company in a timely manner according to the requirements of local government management departments.

Due to social distancing restrictions, the number of offline promotional activities and employee activities of the company was limited. In order to reduce the risk of infection, the company has reduced and postponed the offline activity plans, and actively promoted the participation of all parties through a variety of online activities. In response to the epidemic prevention department, CI Web advocated employees to celebrate the Chinese New Year on the spot, and launched welfare activities such as grabbing fortune bags for employees to spend the festival together.

As of the date of this report, no employee of the company has been infected with the epidemic.

- **Life-work Balance**

In addition to complying with national statutory holidays and the "Implementation Measures for Paid Annual Leave for Employees of Enterprises 《企業職工帶薪休假實施辦法》", the company has also added other holiday leave, birthday leave, and compensatory leave vouchers according to the actual situation.

In terms of working hours, the Group strictly follows the requirements of the "Labour Law of the People's Republic of China 《中華人民共和國勞動法》" and implements the standard working hour system. The Group provides flexible attendance within a certain period of time for working hours to facilitate employees with special circumstances. For overtime work, subsidies or compensatory leaves are granted to avoid adverse effects on physical health due to long working hours.

The company cares about the life of employees and advocates a balance between work and family. The company continues to carry out the "School Day" activity to provide employees with school-aged children at home with paid holidays to accompany their children on the first day of school.

- ## Development and Training

The Group attaches great importance to personnel training and cultural construction, and has established a "Training Management System" to standardize training management, clarify training objectives and establish a training system. We have set up our own enterprise college "Orange College". Orange College provided different training courses to employees at their different stages of career, the main course training includes:

Professional development skills	65%
Management skills and personal improvement	15%
Health, safety, etiquette, interest, environmental protection	5%
Corporate culture, systems and processes, legal knowledge, professional ethics	15%

The "Orange College" set up theme courses such as "Orange Growth Camp", " Youke College", "Orange Sharing", and "Orange Innovation".

"Orange Growth Camp" is a training program for targeted new employees. Two sessions are held each year, each taking one month. Classes are taught by internal lecturers to help new employees understand corporate culture and systems, train work skills, and learn teamwork methods.

"Youke College (優客學院)" firstly provides the internal and external learning resources of the Group for talents with high-level professional skills, and assesses their promotion opportunities by the learning results. Secondly, it offers training to middle-level and junior management talents to improve their operation and management efficiency, and assesses their promotion opportunities through organizational practice results.

"Orange Sharing" aims to make use of the existing talent advantages and resource advantages. Through sharing, it helps employees to develop new ideas and upgrade their skills, promotes the integration between new and old employees, encourages them to explore and expand jointly and efficiently.

"Orange Innovation" advocates employees to maintain the drive to learn and create. In this training, it helps employees understand knowledge such as the project structure, the product's production chain, and the business system, and encourages employees to plan and practice innovative technologies, services and business solutions.

In addition, Orange College also set up an online learning platform and uploaded some courses in videos to allow employees to retrieve at anytime and anywhere. Human Resources Department also required participation of training courses of not less than 4 hours each year for our employees (applicable to all male and female employees), including ordinary employees, middle management and senior management.

In 2021, Orange College organized a total of 70 employee training sessions, with an average participation time of about 5 hours per person. A total of 25% of the employees were awarded the "Medal of Honor" by the Orange College as excellent participants.

- ## Operating Practices

CI Web is a leading vertical online platform for the Children-Babies-Maternity market in the PRC, aiming at providing young families in the PRC with value-added services such as new media, content, community, smart hardware, e-commerce and cross-border services. The Group adheres to the principle that integrity comes first and conducts business according to the operating practices which are in compliance with local and international laws. Our employees are required to follow the code of conduct.

- **Supply Chain Management**

In 2021, the Group had a total of 120 suppliers, of which 10 were Hong Kong suppliers and the rest were PRC suppliers. In 2021, a total of 22 suppliers provided contract values of RMB1 million and above to the Group and all 22 of them were independent third parties. During the year, the Group was not aware that these 22 suppliers had any significant actual and potential negative impact on business ethics, environmental protection, human rights and labor practices or any incidents of non-compliance with human rights.

The Group has established and implemented the procurement management system and supplier management system to maintain the integrity, fairness, safety, and premier quality of supply chain, while striving to increase the indirect economic benefits to be generated and positive impact on environmental protection, labor and safety. Our practices for engaging and managing suppliers include:

— The Group generally carries out procurement through price comparison and sentinel procurement. In the selection of suppliers, we conduct screening and assessment based on their quality and prices. We obtain price quotation from at least three suppliers, and carry out inspection on the suppliers' compliance qualifications.

— We also evaluate whether suppliers have complied with our environmental, social and governance standards. Suppliers are required to provide a "Supplier Social Responsibility Questionnaire" for us to review their work environment, occupational health and safety, child labor, environmental management, and anti-corruption. At the same time, we reflect relevant clauses in the contract to encourage suppliers to understand and comply with them. Through our evaluation, a database of qualified suppliers has also been established.

— The Group conducts annual evaluation on the performance of suppliers. Apart from key standards including quality, costs and services, we also evaluate their compliance with our environmental, social and governance standards. We communicate with suppliers who do not get good results in our evaluation for correction or improvement. If the current supplier ceases operation or major violations of laws and disciplines have occurred, we will use a backup supplier from the qualified supplier database to ensure the normal operation of our products or services.

— To ensure suppliers' capabilities in quality assurance, safety and other environmental management, we conduct on-site investigations on suppliers as and when required to ensure the safety of supply chain, and conduct regular on- site investigations on logistic suppliers and data center suppliers.

— In terms of inspecting the social responsibility of suppliers and protecting the environment, suppliers formally employed by the Group's Purchasing Department need to agree to the terms contained in the statement and commitment on anti-commercial bribery, and the terms contained in the commitment on labor rights, health and safety, and environmental protection when conducting business with the Group. Suppliers shall fully comply with local policies and regulations regarding environmental protection and demonstrate relevant qualifications. Priority cooperation evaluation shall be given to suppliers who provide advanced solutions and active measures in environmental protection.

— We advocate establishing mutual trust between suppliers and us which will help us manage potential environmental and social risks and improve operation effectiveness. In 2021, we invited 1 technical service supplier to conduct a satisfaction survey in order to review the performance of our procurement personnel in terms of integrity and fairness. We also learned from suppliers about their latest developments and their opinions in order to strengthen our cooperation, and we conveyed our business philosophy of sustainable development to them. We have invited 1 logistics supplier to communicate and negotiate to improve courier materials to reduce waste and increase recyclability.

— We engage internal auditor and legal advisers to review suppliers' compliance and performance of the personnel involve in the sourcing process.

— In order to improve business ethics and social responsibility awareness among employees, and abide by the code of conduct of corporate compliance procurement, we educated staffs who are involved in the procurement process to reduce the risk of fraud such as commercial bribery.

PRODUCT RESPONSIBILITY

The Group is committed to providing the best user experience. We attach great importance to the quality and reputation of its information services and products to fulfill our promises on service quality and truthfulness of information. We have protection and monitoring measures in place for user complaints, user services and establishment of intellectual property.

- **Customer Services and Complaints**

  For the services and products provided by the Group, we have customer service channels to solve customers' problems and complaints to ensure they will be handled promptly. We ensure that complaints will be handled no later than 8 hours. We also have special personnel responsible for investigations and taking monitoring measures regarding the complaints. The Group also voluntarily accepts supervision of local government, market and quality control department as well as the public. During the year of 2021, to the best knowledge of the Group, there was no material non-compliance with relevant standards, rules and regulations.

  For products in kind sold in the Group's e-commerce activities, except for the situation through special consultation with the after-sales department, users shall return the products that they do not want in original appearance and packing and obtain either refund in full or replacement within 5 working days. Certain products can be returned unconditionally within 15 days. Before delivery, we have dedicated personnel to carefully inspect and pack products to be delivered. If users have a request for return or exchange after purchasing a product, they can initiate an application on the platform's sales page, or contact customer service for help through the guide. Customer service will review the request within 24 hours, and after the review and receipt of the goods returned by the customer, refunds, exchanges, and returns will be processed. If the product is defective due to quality, Apart from refund, we also undertake the corresponding losses caused to users. During the year of 2021, to the best of our knowledge, there was no return product due to safety and health reasons.

  For hospitals, doctors and experts partners, the Company strictly supervised their qualifications. The cooperating doctors are mainly doctors from the 3A hospitals. The Company also requires staffs in editorial positions to obtain the national senior baby nursing certificate to enhance the professionalism of our services.

- **Stability of Systems and Project Development Management**

  To safeguard the successful operation of our business and provide customers with high-quality experience, the Company keeps on improving the operational stability of its products and platform server as well as its network infrastructure. At the structural level, measures such as traffic limitation, downgrade, isolation, overtime, retry, and clustering are adopted to ensure system stability. The Company has formulated the "System Security Maintenance System" and "Engine Room Security Review System" to maintain its normal operation. It has also set up a disaster recovery mechanism accordingly to support data disaster recovery function and conduct drills and adopt emergency measures. For operation and maintenance system, we have upgraded the underlying technology and self-developed monitoring system for many times and plotted the overall data index of the system in real time to protect the self-recovery capability and timely and effective alarm capability of the system.

The Company continuously improves the standardization of its project management and research and development processes, and the documentation and standardization of software management and software processing. We define the Company's standard software processing, which is used in all of our software developments. We passed the CMMI3 evaluation certification. After CMMI3 evaluation, it is expected that the Company's ability to estimate and control our project will increase, productivity will increase, and the error rate of software products will decrease.

In terms of product development and maintenance and optimization, the project and development within the Group are coordinated and managed by the technology platform. It provides important capabilities such as high productivity development, resource scheduling, data platform, business integration, and public services, and provides comprehensive support for project specification, sharing, deployment, operation and maintenance, integration and governance. At the same time, it offers faster and more efficient technical upgrades for our product clients. It also provides corresponding solutions in APP loading and display, content storage, data embedding and processing, and analyzes user habits and preferences to update the product continuously.

- **User Privacy**

The Group pays attention to the protection of user's information and privacy in daily operation. On one hand, we continue to minimise the risk of leaking user's information through enhancing our security technology measures such as adopting the technology of storage encryption and controlling information access authority. On the other hand, we strictly incorporate and implement the regulatory requirements about privacy protection in our internal compliance processes. We follow the principles of legality, justification and necessity when collecting user information. To ensure that users understand how we protect their personal information and enhance the transparency of our data collection and processing, we published our privacy protection policy on respective product websites and applications of respective products. The main basis that formulated in accordance with compliance control has no material breach of the "Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》)".

The user privacy policies of all APPs under our Company stuck to the requirements of the "Cyber Security Law (《網絡安全法》)", the "Law on the Protection of Consumer Rights and Interests (《消費者權益保護法》)", in order to protect the security of personal data and protect the legitimate rights of users. Users will be notified and asked for permission each time an update or instruction on acquisition of new information is made, and the information is used only after obtaining the user's consent. When we collect personal data, we express the rules for information collection in an easy, simple and clear manner, and obtained the consent by the subject of personal data collection. Users will not be forced to authorize in disguise by default, bundling, or ceasing installation. When we provide push notifications services, users may choose to reject these push notifications.

In accordance with the "Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》)", we provide user data acquisition, processing and protection of related privacy awareness or regulatory training to suppliers, customers and all our employees involved in the personal data processing, and sign user data privacy compliance agreement in due course.

- **Internet Security**

In order to further establish an internet system that complies with national regulations together with a sound network and information security protection, the Company has formulated "Website Security Protection Initiatives", "Information Security Confidentiality Management System", "User Information Security Management System", which are in line with the automated network security guarantee system, hence the multi-layered protection for our Internet system have been strengthened.

- **Intellectual Property**

  The Company emphasises the importance of intellectual property compliance and protection. Majority of our main intellectual property related to our operations is obtained from sources and we have a procurement process in place for intellectual property purchase. We formulate and implement the systems and procedures of declaration, registration, procurement, use and infringement monitoring of trademarks, patents, copyrights and domain names so as to safeguard our interests. We convey intellectual property protection and confidentiality awareness to our employees regularly and ensure their strict implementation. We also actively reduce the risk of our users infringing the intellectual property rights of others that may exist in the course of using our services through technical monitoring, manual review and market research. Given that we do not use or adopt any third party content to generate direct income, in the event of any litigation with respect to such area, our PRC legal advisor considers and our Directors concur that the risk of material adverse impact on the financial condition of the Company in relation to the claims from third party is low. The main basis that formulated in accordance with compliance control has no material breach of the "Copyright Law of the PRC (《中華人民共和國著作權法》)", "Trademark Law of the PRC (《中華人民共和國商標法》)" and "Regulations on Protection of Information Network Transmission (《信息網絡傳播保護條例》)".

- **Supervision of Advertising Operation, Internet Information Services and Other Operating Activities**

  For our advertising operation, we have already applied for operator registration at the competent administration for industry and commerce. The Group has stringent management procedures in place for advertising design, production and publication. We also recruited an advertisement inspector who possesses the Ad Inspector Training Certificate issued by Jiangsu Advertisement Association. We also have the ICP licence (internet information service business and operational e-commerce business) necessary for conducting Internet communication services. The Group has technical monitoring and manual review process for Internet communication security, and at the same time, we appointed an Internet security officer who possesses the Internet Communication Security Manager Qualification Licence for Jiangsu Province issued by Jiangsu Provincial Public Security Department. The main basis that formulated in accordance with compliance control has no material breach of "Advertising Law of the PRC (《中華人民共和國廣告法》)" and "Measures for the Administration of Internet Information Services (《互聯網信息服務管理辦法》)". We have obtained the business licence for radio and television programs production. We have obtained the business license for publishing material (online retail). We have obtained the "Food Business License".

ANTI-CORRUPTION

In order to ensure honesty, loyalty and ethical behaviour of the employees, prevent corruption behavior such as bribery, blackmail and fraud, balance and safeguard the interests of the Group and its stakeholders, and establish long-term and solid relationships, the Group has a code of ethics, anti-corruption management and whistleblowing system in place to monitor the conduct and behaviour of all employees, senior management and Directors in daily operation in accordance with the "Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》)" and "Criminal Law of the People' s Republic of China (《中華人民共和國刑法》)". The Group also performs annual self-review process to reflect the implementation of codes and regulations to ensure the codes and systems have been applied throughout the actual operation and management practices. Through internal control as well as internal and external audit, the Group monitors corruption behaviours within the Group. The anti-corruption management and whistleblowing system provide channels and guidelines to report any misconduct, malpractice or illegal behaviour within the Group. The electronic reporting mailbox and a hotline have been established, so that our employees and other persons who deal with the Company (such as customers and suppliers) may report any misconduct that they have identified. The Company also asks its employees for relevant comments through annual surveys. All reports will be treated in a cautious and confidential manner. The Audit Committee will double check and review the complaints and conduct investigations and handle the comments and report to the board of Directors. Upon the completion of investigations, those employees found and proven to have committed corruption will be penalised or face immediate dismissal in accordance with the anti-corruption management requirements and corrective actions will be taken based on findings. Any corruption act that is in violation of any relevant laws or regulations will be reported to relevant government authorities. The Group has also developed and implemented whistleblowing protection system to ensure that all kinds of violations are reported openly and honestly without fear of retaliation or potential retaliation. During the year, the company has conducted anti-corruption and anti-fraud training on the above-mentioned relevant regulations and systems. The training was conducted both online and offline to ensure that all directors, senior management and employees complete the training and register for attendance.

The Group believes that a clean working environment depends on everyone working together. As far as the Group is aware, there was no material non-compliance with relevant standards, rules and regulations in 2021. Moreover, neither the Group nor its employees was involved in any litigation cases regarding corruption.

COMMUNITY INVESTMENT

The Group values harmonious and inclusive relationship between the Group and the community where it operates and maintains positive communication with the community and community partners. It regularly participates in conferences and investigations that are organised by the community and neighbourhood management department to ensure public welfare is considered by the Group during its business operation. The Group actively exercises its corporate social responsibility in various forms such as the provision of community services, organisation of public welfare activities and social donations. To establish long-term and effective community participation, we also take into account geographical factors, concerns of main stakeholders and synergy effects of our own resources. We formulate and implement the Public Welfare Project Management System which contains the approval process of public welfare projects organised by the Company and relevant requirements regarding security, compliance, transparency and effectiveness of project implementation. The Group treasures individual public welfare power and supports employees to participate in community volunteer activities and social public welfare affairs and integrates the resources of the Company to encourage more individuals to take part in those activities and affairs.

- **Labour Demand**

  The Group signed internship cooperation agreements with universities and colleges where we operate to help solve the internship and employment problems of local university and college students. In addition to providing healthy and safe internship environment for interns, we also arranged professionals within the Company to be their mentors in assisting them to conduct subject research and graduation project through practice. The Company was also invited by a university to provide professional topic lectures to their students.

- **Community Help**

  The Group proactively fulfills its responsibilities as a corporate citizen. In the process of participating in charitable activities, the Group also attached importance to individual charity engagement. The Group supports employees to take part in social public welfare affairs and provides an organisational platform for more charity-caring people.

  In 2015, the Group set up the charity platform "Nurture with Love (育見愛)", aiming to allow more individuals to participate in organising charitable activities, provide assistance to disadvantaged mothers and infants, and send more positive energy to the society. Our employees and charity-caring people initiated a number of charitable activities, including charity sales, visits to rural areas and fund-raising activities, guarding the COVID-19 patients activities through such platform. We also displayed charitable achievements through such platform appropriately to encourage people to join us. In April 2021, the CI Web "Nurture with Love" participated in the "Splendid Grocery Store" charity sale offline event. This charity sale raised funds for non-governmental public welfare organizations to help and educate children with special conditions such as cerebral palsy, Down syndrome, autism, and developmental delay.

  We organized the "Love Market" to give away idle mother-child products on the community platform. In this event, recyclable or brand-new mother-child products can be donated and received among community users according to their needs, so as to achieve the purpose of environmental protection and energy saving, and the company provided postage subsidies for the event.

- **Education**

  Since 2010, the Group has launched and constantly maintained its charity channel, JG Web, which is a platform for providing teaching and learning resources to handicapped children. On the first anniversary of its listing, the Group set up the Asia Children's Charity Foundation (亞洲兒童慈善基金會), which aims at offering medical, education and vocational skills to Chinese and Asian children in need.

  The healthy growth of children is an important concern for the society. The Group has learned from helping children in difficulty that it is particularly important to provide spiritual care and character education to children, so that they can feel the care and love from all walks of life and build confidence, overcome difficulties and grow up healthy and happy.

- **Health**

Helped the community's women federations care for families of children with disabilities: In 2021, CI Web participated in the "Sunshine, Rose, Rain and Children Tour" program jointly launched by the Charity Federation of Yuhuatai District, Nanjing City and the District Women's Federation to provide public health services and material donations to disadvantaged children and families, unemployed women and other groups. CI Web initiated the online and offline public welfare activities of "Nurture with Love + Cloud Parenting + Community Tour". Under the organization of the Sub-district Women's Federation, we delivered pregnancy gift packages to pregnant women in the jurisdiction, built a cloud parenting science system, and allowed community mothers to enjoy professional pregnancy guidance without leaving home. On the Mid-Autumn Festival, CI Web visited the families in need in the region, and sent them Mid-Autumn Festival blessings and material donations.

Organized Mutual Aid Activities: On June 1, 2021, Asia Children's Charity Foundation coordinated with the disabled children in Beihai Kindergarten and the Rehabilitation Department of Qinghai Women and Children's Hospital, allowing the children of both sides to have friendly interactions and exchanges, and organized donations of materials.

Protected mother-child families against the epidemic and responded to changes in the industry: Under the COVID-19 epidemic, CI Web has actively fulfilled its corporate social responsibility through various channels, and the entire platform has helped mother-child families to prevent the epidemic. Pregnancy Tracker APP of the CI Web organized and invited a number of doctors and experts to conduct free online Q & A on fighting against virus to provide pregnant mothers and baby mothers with disease control knowledge in a timely manner. Mama BBS APP created the theme of epidemic prevention and worry-free room, interacted with users and put an end to rumors.

In July 2021, The Delta variant of COVID-19 affected Nanjing. CI Web contacted the laboratory resources of the partner hospital in the shortest time possible, and dispatched 45 testing devices and 55 technicians overnight to carry out nucleic acid testing. The laboratory staff worked continuously for 24 hours by changing shifts without stopping, provided strong scientific and technological support for the smooth development of nucleic acid testing for all citizens in Yuhuatai District, and contributed to the timely issuance of test results for the nucleic acid testing.

Strengthened comprehensive prevention and control of birth defects through industry cooperation: September 12, 2021 was China Birth Defect Prevention Day. CI Web and Beijing Silian Pharmaceutical Co., Ltd. jointly launched a series of public welfare activities to prevent birth defects, discuss the prevention of birth defects, and popularize the knowledge of preventing birth defects. Among them, the project "Not One Less" calls for assistance and material donations to the families of minority handicapped children.

- **Awards**

At the IAI (International Advertising Institute) 21st International Creative Festival and Awards Ceremony in 2021, CI Web won three mother-child marketing awards in the Advertising category.

In the 7th China Infant & Toddler Development Forum's China Science Parenting Content Summit in 2021, CI Web was awarded as an excellent partner in mother-child public welfare activities.

The Jiangsu Internet Association awarded CI Web the 2021 Empowerment Specialized Elite "Enterprise Star".

The Jiangsu Information Technology Department recognized CI Web as the "Provincial Software Enterprise Technology Center" in 2021.

In 2021, our employees participated in community volunteer activities and public welfare activities through the charity platform "Nurture with Love (育見愛)" for a total time span of 880 hours, a decrease of 5% as compared with 2020. The time spent participating in offline activities decreased mainly due to the impact of the epidemic.

INDEPENDENT AUDITOR'S REPORT

天健國際會計師事務所有限公司
Confucius International CPA Limited   Certified Public Accountants

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To the shareholders of China Parenting Network Holdings Limited
中國育兒網絡控股有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Parenting Network Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 101 to 177, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

The key audit matter	How our audit addressed the key audit matter
Fair value measurement of unlisted equity securities designated at fair value through other comprehensive income and unlisted equity securities measured at fair value through profit or loss	
The Group had investments in ordinary shares of certain unlisted companies. The Group classified these investments as equity securities designated at fair value through other comprehensive income ("FVTOCI") or measured at fair value through profit or loss ("FVTPL"). The Group engaged an independent professional valuer to determine the fair value of these investments by applying valuation techniques. These valuation techniques, in particular those that included significant unobservable inputs, involved subjective judgements, estimations and assumptions. As at 31 December 2021, these investments were significant to the Group as they amounted to RMB235,610,000 (2020: RMB247,345,000) and represented 68% (2020: 67%) of the total assets of the Group. We focused on this area because it requires significant judgements and estimations to determine the fair value of these investments and the amounts involved are material. Related disclosures of above financial assets are included in notes 3, 18, 37 and 38 to the consolidated financial statements.	We examined the terms and conditions of the relevant investment agreements. We obtained and inspected the valuation reports prepared by the valuer. We evaluated the valuer's competence, capabilities and objectivity. We evaluated the appropriateness of the valuation techniques, key assumptions and significant unobservable inputs adopted in valuation by the valuer to determine the fair value of these investments. We assessed the adequacy of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (CONTINUED)

The key audit matter	How our audit addressed the key audit matter
Initial recognition and valuation of convertible notes	
The Company issued convertible notes in the principal amount of HK$32,000,000 (approximately RMB27,046,000) which can be converted into ordinary shares of the Company at a fixed conversion price. The debt component and equity component were measured at approximately HK$29,898,000 (approximately RMB25,207,000) and HK$1,776,000 (approximately RMB1,502,000) at the issue date respectively. The liability component was recognised at amortised cost subsequently. Management has engaged an independent professional valuer to provide assistance in the estimation of the fair value of the convertible notes on the issue date. We considered this matter to be a key audit matter due to the significance of the balance and significant estimation and judgement in determining the fair value of the convertible notes, including the determination of valuation techniques and the selection of financial inputs in the model. Related disclosures of above convertible notes are included in note 28 to the consolidated financial statements.	We reviewed the agreement and other related documents of the convertible notes; We obtained direct confirmations or performing alternative procedures from the noteholders to confirm major terms; We evaluated the valuer's competence, capabilities and objectivity; We assessed the appropriateness of the work of the valuer by making enquiries of the valuer on the bases of valuation and obtaining corroborative evidence on the input data; We considered the relevance and reasonableness of key assumptions and valuation methods used, and the relevance and accuracy of the source data used in the valuation; and We evaluated the appropriateness of management's application of IFRSs in the accounting of convertible notes.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2021.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated 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.

— Obtain an understanding of 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 Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' 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 Group'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 consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Confucius International CPA Limited
Certified Public Accountants
Ho Pak Tat
Practising certificate number: P05215
Hong Kong
31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	4	**93,744**	92,267
Cost of sales		**(88,549)**	(62,151)
Gross profit		**5,195**	30,116
Other income and gains	5	**7,323**	9,984
Selling and distribution expenses		**(27,279)**	(50,262)
Administrative expenses		**(12,535)**	(17,510)
Research and development costs	6	**(15,302)**	(19,497)
Reversal of (impairment loss) on financial and contract assets, net	6	**763**	(713)
Fair value changes of financial assets at FVTPL	6	**(9,417)**	(12,049)
Loss on disposal of financial assets at FVTPL	6	**–**	(1,886)
Loss on deemed derecognition of financial assets	6	**–**	(45,105)
Loss on restructuring of other receivable		**(236)**	–
Other expenses		**(1,253)**	(216)
Finance costs	7	**(3,066)**	(916)
Loss before tax	6	**(55,807)**	(108,054)
Income tax credit	10	**670**	11,536
Loss for the year		**(55,137)**	(96,518)
Loss attributable to:			
Owners of the Company		**(51,455)**	(96,175)
Non-controlling interests	11	**(3,682)**	(343)
		(55,137)	(96,518)
		RMB cents	RMB cents
Loss per share attributable to owners of the Company			
Basic and diluted	13	**(5.02)**	(9.38)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Loss for the year	**(55,137)**	(96,518)
Other comprehensive (expense) income, net of tax:		
Items that will not be reclassified to profit or loss in subsequent periods:		
Financial assets designated at FVTOCI:		
Changes in fair value	**(6,056)**	(15,635)
Tax effect	**2,576**	(4,046)
	(3,480)	(19,681)
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(452)**	(2,703)
Other comprehensive expense for the year, net of tax	**(3,932)**	(22,384)
Total comprehensive expense for the year	**(59,069)**	(118,902)
Total comprehensive expense for the year attributable to:		
Owners of the Company	**(55,387)**	(118,559)
Non-controlling interests	**(3,682)**	(343)
	(59,069)	(118,902)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment	14	**8,002**	8,067
Right-of-use assets	15(a)	**8,479**	7,665
Long-term receivables	16	**2,917**	4,237
Deposit for property, plant and equipment	17	**2,712**	2,712
Other financial assets	18	**211,149**	259,217
		233,259	281,898
Current assets			
Inventories	19	**1,465**	2,806
Trade and bills receivables	20	**15,620**	14,244
Contract assets	21	**7,266**	18,306
Prepayments, deposits and other receivables	22	**20,112**	5,424
Other financial assets	18	**39,820**	4,958
Cash and cash equivalents	23	**27,851**	44,090
		112,134	89,828
Current liabilities			
Trade payables	24	**1,745**	2,201
Contract liabilities	25	**600**	339
Other payables and accruals	26	**16,695**	13,685
Lease liabilities	15(b)	**1,755**	1,447
Interest-bearing bank borrowings	27	**22,500**	19,000
Convertible notes	28	**26,378**	–
Tax payable		**5,868**	5,868
		75,541	42,540
Net current assets		**36,593**	47,288
Total assets less current liabilities		**269,852**	329,186
Non-current liabilities			
Lease liabilities	15(b)	**1,616**	663
Deferred tax liabilities	29	**–**	2,720
		1,616	3,383
NET ASSETS		**268,236**	325,803

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Equity			
Equity attributable to owners of the Company			
Share capital	30	**8,090**	8,090
Reserves		**260,382**	314,267
		268,472	322,357
Non-controlling interests		**(236)**	3,446
TOTAL EQUITY		**268,236**	325,803

The consolidated financial statements on pages 101 to 177 were approved and authorised for issue by the Board of Directors on 31 March 2022 and are signed on its behalf by:

Cheng Li
Director

Zhang Lake Mozi
Director

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium* RMB'000	Reserve fund* RMB'000	Other reserve* RMB'000	Convertible notes equity reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Fair value reserve of financial assets designated at FVTOCI* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020, as previously reported	8,090	224,688	21,347	16,842	–	21,096	26,073	122,780	440,916	3,789	444,705
Correction of prior period error at 1 January 2020	–	–	–	–	–	–	(34,549)	34,549	–	–	–
At 1 January 2020 (restated)	8,090	224,688	21,347	16,842	–	21,096	(8,476)	157,329	440,916	3,789	444,705
Loss for the year	–	–	–	–	–	–	–	(96,175)	(96,175)	(343)	(96,518)
Other comprehensive expense for the year:											
Exchange differences related to foreign operation	–	–	–	–	–	(2,703)	–	–	(2,703)	–	(2,703)
Change in fair value of financial assets designated at FVTOCI, net of tax	–	–	–	–	–	–	(19,681)	–	(19,681)	–	(19,681)
Total comprehensive expense for the year	–	–	–	–	–	(2,703)	(19,681)	(96,175)	(118,559)	(343)	(118,902)
Appropriation to statutory reserves	–	–	6	–	–	–	–	(6)	–	–	–
Deregistration of subsidiaries	–	–	(1,043)	–	–	–	–	1,043	–	–	–
At 31 December 2020	8,090	224,688	20,310	16,842	–	18,393	(28,157)	62,191	322,357	3,446	325,803
At 1 January 2021	**8,090**	**224,688**	**20,310**	**16,842**	**–**	**18,393**	**(28,157)**	**62,191**	**322,357**	**3,446**	**325,803**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(51,455)**	**(51,455)**	**(3,682)**	**(55,137)**
Other comprehensive expense for the year:											
Exchange differences related to foreign operation	**–**	**–**	**–**	**–**	**–**	**(452)**	**–**	**–**	**(452)**	**–**	**(452)**
Change in fair value of financial assets designated at FVTOCI, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**(3,480)**	**–**	**(3,480)**	**–**	**(3,480)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(452)**	**(3,480)**	**(51,455)**	**(55,387)**	**(3,682)**	**(59,069)**
Issue of convertible notes	**–**	**–**	**–**	**–**	**1,502**	**–**	**–**	**–**	**1,502**	**–**	**1,502**
At 31 December 2021	**8,090**	**224,688**	**20,310**	**16,842**	**1,502**	**17,941**	**(31,637)**	**10,736**	**268,472**	**(236)**	**(268,236)**

* These reserve accounts comprise the consolidated reserves of RMB260,382,000 (2020: RMB314,267,000) in the consolidated statement of financial position.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Operating activities			
Loss before taxation		**(55,807)**	(108,054)
Adjustments for:			
Depreciation of property, plant and equipment	6	**121**	300
Depreciation of right-of-use assets	6	**2,345**	2,431
Finance costs	7	**3,066**	916
(Reversal of) impairment losses on financial and contract assets, net:			
— Trade receivables	6	**(41)**	(33)
— Contract assets	6	**(83)**	(178)
— Financial assets included prepayments, deposits and other receivables	6	**(639)**	924
Bank interest income	5	**(136)**	(1,203)
Other interest income	5	**(1,313)**	(1,455)
Fair value changes of financial assets at FVTPL	6	**9,417**	12,049
Investment income from bank product investments	5	**(361)**	(753)
Staff costs arising from interest-free loans to employees		**219**	403
Gain on early termination of leases	5	**–**	(19)
Loss on disposal of financial assets at FVTPL	6	**–**	1,886
Loss on deemed derecognition of financial assets	6	**–**	45,105
Loss on disposal of items of property, plant and equipment	6	**–**	75
Loss on restructuring of other receivable		**236**	–
Write-off of trade and other receivables	6	**276**	65
Write-down of inventories to net realisable value	6	**977**	6,540
Operating cash flows working capital changes		**(41,723)**	(41,001)
(Increase) decrease in prepayments, deposits and other receivables		**(17,341)**	16,186
(Increase) decrease in trade and bill receivables		**(1,610)**	10,360
Decrease in contract assets		**11,123**	5,399
Decrease in long-term receivables		**1,320**	870
Decrease in inventories		**364**	199
Increase in contract liabilities		**261**	304
(Decrease) increase in trade payables		**(456)**	2,379
Increase in other payables and accruals		**2,990**	3,423
Cash used in operations		**(45,072)**	(1,881)
Interest portion of lease payments	33	**(205)**	(155)
Income tax paid		**–**	(6)
Income tax refunded		**526**	136
Net cash used in operating activities		**(44,751)**	(1,906)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Investing activities			
Interest received		**136**	47
Deposit paid for property, plant and equipment		**–**	(2,712)
Purchases of items of property, plant and equipment	14	**(61)**	(7,740)
Payments for right-of-use assets		**–**	(160)
Proceeds from disposal of items of property, plant and equipment		**–**	4
Loans to employees		**(180)**	–
Repayment of loans from employees		**3,321**	2,215
Purchase of financial assets designated at FVTOCI		**–**	(2,500)
Proceeds from disposal of financial assets at FVTPL		**–**	145
Proceeds from redemption of debt investment		**–**	31,128
Purchases of bank product investments		**(123,000)**	(231,700)
Proceeds from redemption of bank product investments		**123,361**	232,481
Net cash generated from investing activities		**3,577**	21,208
Financing activities			
New bank borrowings	33	**22,500**	18,000
Repayment of bank borrowings	33	**(19,000)**	(48,000)
Principal portion of lease payments	33	**(1,918)**	(2,095)
Interest paid	33	**(805)**	(761)
Issue of convertible notes	33	**26,709**	–
Net cash generated from (used in) financing activities		**27,486**	(32,856)
Net decrease in cash and cash equivalents		**(13,688)**	(13,554)
Cash and cash equivalents at beginning of the year		**44,090**	57,684
Effect on foreign exchange rate changes, net		**(2,551)**	(40)
Cash and cash equivalents at end of the year		**27,851**	44,090

The accompanying notes are an integral part of these consolidated financial statements.

1 CORPORATE AND GROUP INFORMATION

China Parenting Network Holdings Limited (the "Company") was incorporated in the Cayman Islands on 13 October 2014 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Room 1905, China Resources Building, 26 Habour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) the provision of marketing and promotional services through the Group's platform, including CI Web, mobile CI Web, Mobile Application Software ("APPs") and IPTV APPs and (ii) sale of goods in China.

In the opinion of the directors of the Company, as of the date of approval of these financial statements, Ms. Li Juan, Mr. Cheng Li, Mr. Wu Haiming, Loyal Alliance Management Limited, Prime Wish Holdings Limited and Victory Glory Holdings Limited are the Company's controlling shareholders.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration	Issued/ registered share capital	Equity interest held Direct	Equity interest held Indirect	Principal activities and place of operation
Directly held by the Company					
Shining World investments Limited ("Shining World") (note (iv))	British Virgin Islands ("BVI")/ 18 August 2014	USD50,000	100%	–	Investment holding, BVI
Indirectly held by the Company					
Star Universal Holdings Limited	Hong Kong/ 5 September 2014	HKD10,000	–	100%	Investment holding, Hong Kong
Xibai (Nanjing) Information Technology Company Limited ("Nanjing Xibai") (note (i), (v), (vi))	The People's Republic of China (the "PRC")/ 10 December 2014	HKD205,000,000	–	100%	Technical support and consultancy related services, the PRC
Nanjing Xinchuang Micro Electromechanical Technology Company Limited ("Nanjing Xinchuang") (note (i), (vii))	The PRC/ 14 April 2005	RMB2,000,000	–	100%	Provision of marketing and promotional services and e-commerce business, the PRC

1 CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration	Issued/ registered share capital	Equity interest held Direct	Equity interest held Indirect	Principal activities and place of operation
Indirectly held by the Company (continued)					
Nanjing Xihui Information Technology Company Limited ("Nanjing Xihui") (note (i), (vii))	The PRC/ 24 May 2013	RMB5,000,000	–	100%	Provision of marketing and promotional services and technical support and consultancy related services, the PRC
Nanjing Xile Information Technology Company Limited ("Nanjing Xile") (note (i), (ii))	The PRC/ 6 March 2015	RMB100,000	–	51%	Provision of technical support and consultancy related services, the PRC
Nanjing Wanhui Information Technology Company Limited ("Nanjing Wanhui") (note (i), (iii), (v))	The PRC/ 30 January 2019	RMB20,000,000	–	100%	Provision of technical support and consultancy related services, the PRC

Notes:

(i) The English names of companies incorporated in the PRC referred to herein represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

(ii) Nanjing Xile is a limited liability company established in the PRC and is held as to 51% by Nanjing Xibai and 49% by independent third party, Mr. Zhao Hongwei.

(iii) Nanjing Wanhui is a limited liability company established in the PRC and is wholly owned by Nanjing Xibai.

(iv) As at 31 December 2021 and 2020, the Group has unpaid portion of registered capital totaling USD50,000 (equivalent to approximately RMB307,000) for injection into Shining World.

(v) As at 31 December 2020, the Group has unpaid portion of registered capital totaling RMB6 million for injection into Nanjing Xibai and Nanjing Wanhui which are due from 31 December 2022 to 31 December 2049. During 2021, the Group fully paid the registered capital of Nanjing Xibai and Nanjing Wanhui.

(vi) Nanjing Xibai is Wholly Foreign Owned Enterprise established in the PRC.

(vii) Nanjing Xinchuang and Nanjing Xihui are limited liability companies established in the PRC and included in the Group's consolidated financial statements as if they are the Group's subsidiaries through the Contractual Arrangement outlined in the Directors' Report.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for other financial assets which have been measured at fair value. These financial statements are presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

For the assessment of going concern, the directors of the Company are of the opinion that the Group would be able to continue as going concern as the Group has sufficient financial resources to support the operation of the Group in the foreseeable future, after taking into consideration of the followings:

(a) The convertible notes with an aggregate principal amount of HK$14,500,000 (equivalent to RMB11,855,000) has been extended to 30 April 2023 on 30 March 2022, subject to fulfilment of conditions precedent and conditions subsequent in the Amendment and Restatement Deed;

(b) The Group plans to dispose of the financial assets at FVTPL and financial assets designated at FVTOCI to generate cash inflow;

(c) As at 31 December 2021, the contracted capital expenditure committed by the Group amounted to approximately RMB49.0 million. The management of the Company expected the construction will not be completed during 2022 and no payment is expected to be settled in the coming twelve months from the date of this report. These commitments are related to the construction of headquarter in Yuhuatai District. The directors will undertake close monitoring process to control the magnitude and timing of the expected cash outlays associated with these capital projects;

(d) The directors are of the opinion that the Group will have adequate funds to meet its liabilities as and when they fall due for at least twelves months from the date of this report after reviewing the cash flow forecast. The directors will strengthen and implement measures aiming at improving the working capital and cash flows of the Group, including closely monitoring the general administrative expenses and operating cost;

(e) The Group will seek to obtain additional new financial support including but not limited to borrowing loans, issuing additional equity or debt securities; and

(f) The directors has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to pay financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the consolidated financial statements.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for annual periods beginning on 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.3 IFRSs ISSUED BUT NOT YET EFFECTIVE IN CURRENT YEAR

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective date to be determined.

The directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or of a parent of the Group.

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

(b) the party is an entity is where any of the following conditions applies:

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

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Office equipment	3–5 years
Computers and servers	3–5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land use rights	50 years
Buildings	3 years

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

When the Group enters into a lease in respect of a short-term lease or low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, at FVTOCI, and at FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at FVTOCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at FVTOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at FVTOCI are not subject to impairment assessment.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at FVTOCI. Dividends on equity investments classified as financial assets at FVTPL are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. A derecognition of the original financial asset will be resulted from a substantial modification.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and it is classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL. A financial liability is held for trading if:

— it has been acquired principally for the purpose of repurchasing it in the near term; or

— on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

— it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

— such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

— the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

— it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities (including interest bank borrowing, lease liabilities and other payables) are subsequently measured at amortised cost, using the effective interest method.

Classification and measurement of financial liabilities

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income ("OCI"), unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Convertible notes

The component parts of the convertible loan notes are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity (continued)

Convertible notes (continued)

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Derecognition/non-substantial modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group derives its revenue from (i) the provision of marketing and promotional services of placing online advertisements such as banners, links and logos; and (ii) sale of goods in Mainland China. Revenue reported in the financial statements is net of sales tax and related surcharges.

Provision of service

The majority of the online advertising contracts are entered into with a lump-sum consideration covering multiple deliverables of marketing and promotional services for a fixed period of time with no guaranteed minimum number of clicks. The lump-sum consideration for and timing of rendering each deliverable have been pre-agreed and evidenced by written contracts entered into between the Group and its customers. The consideration is allocated into each deliverable based on their best estimated selling price, and the related revenue is recognised over the period during which the service for the relevant deliverable is provided. Significant assumptions and estimates have been made in estimating the selling price of each unit of deliverable, and changes in judgements on these assumptions and estimates could materially impact the timing of advertising revenue recognition. In all contracts, there are no future obligations after the completion of the contract and no rights of refund related to the number of clicks. If collectability from the customers cannot be assessed as reasonably assured at the outset of the contracts, revenue is only recorded until cash is received from the customers.

Revenue from the provision of marketing and promotional services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Sale of goods

Sale of goods related to children, babies and maternity. Revenue is recognised at the point when control of the asset is transferred to the customer, generally on delivery of the products. Prepayment is normally required prior to delivery of products.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Other income

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

At the end of the reporting period, the Group had no forfeited contributions were available to reduce the existing level of contributions payable by the Group.

Termination benefits

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currency translation

The functional currency of the Company is the Hong Kong dollar ("HKD") and certain subsidiaries incorporated outside Mainland China use the HKD as their functional currencies. The functional currency of the subsidiaries established in Mainland China is RMB. As the Group mainly operates in Mainland China, RMB is used as the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the subsidiaries established outside Mainland China are currencies other than the RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the subsidiaries established outside Mainland China are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the subsidiaries established outside Mainland China which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision matrix is initially based on the Group's historical observed default rates. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 20, 21 and 38 to the financial statements, respectively.

Provision for expected credit losses on loans to employees and other measured at amortised costs

The measurement of allowance of ECLs on loans to employees and others measured at amortised costs requires judgement and estimation on the amount and timing of future cash flows with, in particular, assessment of the collateral values and a significant increase in credit risk. During the judgement process, the allowance of ECLs on loans to employees and others measured at amortised costs is assessed on 12-month ECL basis as there has been no significant increase in credit risk since initial recognition unless there has been a significant increase in credit risk of the receivables, in which case the loss allowance is measured at an amount equal to lifetime ECL. In measuring whether the credit risk of receivables has increased significantly, the management has taken into accounts occurrence of default event and aging of overdue receivables with recurrent assessment of adjusted collateral values for the recovery and both the current and forecast general economic conditions.

The provision of ECLs is sensitive to changes in estimates. The information about the ECLs and the Group's loans to employees and others measured at amortised costs is disclosed in notes 22 and 38 to the financial statements, respectively.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Determining best estimate of the selling price of each deliverable within the contracts

The Company established a standard price menu for each deliverable of its marketing and promotional services (i.e., full banner, banner, button, multi-flip and couplet) and discounts were always given by the Company. Price menu was set up based on historical experience, and was reviewed and updated annually. The Company has used the listed price on the price menu as a relative selling price of each deliverable to allocate the total consideration within the contracts. In making this estimate, the Group considers all the reasonably available information, including both market data and conditions and entity-specific factors, when estimating the selling price of each deliverable. The Group considers all the factors considered in the negotiation of arrangement with customer and its normal pricing practices are based on the most objective and reliable information that is available. The price menu is adjusted each year and accordingly the estimated selling price of each deliverable changes annually. Historically, there is no significant subsequent adjustment of the revenue amount due to a change in the estimated selling price because the listed prices of most of the deliverables are adjusted to a similar extent and the relative selling prices do not change significantly.

Estimates of income tax

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcomes of these matters are different from the amount that was initially recorded, such differences will impact the current income tax and liabilities in the period in which such determination is made.

Fair value of financial instruments

The Group has a significant amount of financial assets, including an unlisted equity securities and convertible loans which measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. Details of fair value of financial assets is disclosed in note 18. The information about the valuation techniques is disclosed in note 37.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Fair value of the convertible notes

The fair value of the convertible notes in the principal amount of HK$32,000,000 (approximately RMB27,046,000) that are not traded in an active market is estimated by the Group based on the valuation performed by an independent valuer. The fair value is determined on the issue date of convertible notes using Black-Scholes Model with reference to unobservable market data.

The method used to allocate the liability component and the equity conversion component is consistent with that used in the allocation of the fair value of the convertible notes to the separate components. The liability component is amortised over the term of the convertible notes on a basis similar with the effective interest method and is included in "Imputed interest on convertible notes" in profit or loss.

Total interest expenses on convertible notes of approximately RMB2,025,000 were recognised in profit or loss for the year ended 31 December 2021. The carrying amount of the liability component of convertible notes as at 31 December 2021 was approximately RMB26,378,000.

Further details are set out in note 28 to the consolidated financial statements.

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

The Group is principally engaged in the provision of marketing and promotional services through the Group's platform and sale of goods.

(i) Disaggregation of revenue

Revenue of the Group are from contracts with customers within the scope of IFRS 15. The amount of each significant category of revenue is as follows:

	2021	2020
	RMB'000	RMB'000
Marketing and promotional services	**47,998**	61,779
Sale of goods	**45,746**	30,488
	93,744	92,267

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Revenue (continued)

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

Contracts with provision of marketing and promotional services customers always have an original expected duration of less than one year. And contracts with individual customers for sales of goods are always satisfied within one month.

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

(b) Segment information

The Group determines its operating segments based on internal reports reviewed by the chief operating decision makers, who are the executive directors of the Company, for the purpose of allocating resources to the segments and to assess their performance.

The Group's reportable and operating segments have been identified as follows:

(i) Marketing and promotional services; and

(ii) Sale of goods

The amount of each significant category of revenue recognised during the reporting period is as follows:

	For the year ended 31 December 2021		
	Marketing and promotional services RMB'000	Sale of goods RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition			
Over time	**47,998**	**–**	**47,998**
Point in time	**–**	**45,746**	**45,746**
Segment revenue	**47,998**	**45,746**	**93,744**
Segment results	**4,703**	**492**	**5,195**

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

The amount of each significant category of revenue recognised during the reporting period is as follows: (continued)

	For the year ended 31 December 2020		
	Marketing and promotional services RMB'000	Sale of goods RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition			
Over time	61,779	–	61,779
Point in time	–	30,488	30,488
Segment revenue	61,779	30,488	92,267
Segment results	32,358	(2,242)	30,116

	2021 RMB'000	2020 RMB'000
Segment results	**5,195**	30,116
Unallocated		
Other income and gains	**7,323**	9,984
Selling and distribution expenses	**(27,279)**	(50,262)
Administrative expenses	**(12,535)**	(17,510)
Research and development costs	**(15,302)**	(19,497)
Reversal of (impairment loss) on financial and contract assets, net	**763**	(713)
Fair value changes of financial assets at FVTPL	**(9,417)**	(12,049)
Loss on disposal of financial assets at FVTPL	**–**	(1,886)
Loss on deemed derecognition of financial assets	**–**	(45,105)
Loss on restructuring of other receivable	**(236)**	–
Other expenses	**(1,253)**	(216)
Finance costs	**(3,066)**	(916)
Loss before tax	**(55,807)**	(108,054)

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

Segment results during the year represents the gross profit of each segment without allocation of other income and gains, selling and distribution expenses, administrative expenses, research and development costs, reversal of impairment loss/impairment losses on financial and contract assets, net, fair value changes of financial assets at FVTPL, loss on disposal of financial assets at FVTPL, loss on deemed derecognition of financial assets, loss on restructuring of other receivable, other expenses and finance costs. This is the measure reported to the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

No segment assets and segment liabilities and other segment information are presented as such amounts are not reviewed by the Group's chief operating decision makers for the purpose of resource allocation and performance assessment or otherwise regularly provided to the Group's chief operating decision makers.

Geographical information

During the year, the Group operated within one geographical segment because substantially all of its revenue was generated in the Mainland China and all of its long-term assets/capital expenditure were located/incurred in the Mainland China. Accordingly, no geographical information is presented.

Information about major customers

Revenue from a customer of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2021 RMB'000	2020 RMB'000
Customer A[1]	**36,017**	–

[1] Revenue from sale of goods.

5 OTHER INCOME AND GAINS

	2021 RMB'000	2020 RMB'000
Bank interest income	**136**	1,203
Other interest income	**1,313**	1,455
Government grants (note)	**3,729**	6,506
Investment income from bank product investments	**361**	753
Gain on early termination of leases	**–**	19
Foreign exchange gain, net	**1,195**	–
Other income	**589**	48
	7,323	9,984

Note:

Government grants were received from the government of the Mainland China mainly to encourage the Group's efforts on development and innovation or as listing incentives. There are no unfulfilled conditions or contingencies relating to the grants.

6 LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2021 RMB'000	2020 RMB'000
Cost of inventories sold		**45,254**	32,730
Cost of services provided		**43,295**	21,633
Depreciation of property, plant and equipment	14	**121**	300
Depreciation of right-of-use assets	15	**2,345**	2,431
Research and development costs:			
Current year expenditure		**15,302**	19,497
Auditor's remuneration		**1,480**	1,800
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**24,784**	24,833
Pension scheme contributions (defined contribution scheme)		**2,029**	1,461
(Reversal of) impairment losses on financial and contract assets, net:			
— Trade receivables	20	**(41)**	(33)
— Contract assets	21	**(83)**	(178)
— Financial assets included in deposits and other receivables	22	**(639)**	924
Fair value changes of financial assets at FVTPL		**9,417**	12,049
Loss on disposal of financial assets at FVTPL		**–**	1,886
Loss on disposal of items of property, plant and equipment		**–**	75
Loss on deemed derecognition of financial assets		**–**	45,105
Write-off of trade and other receivables		**276**	65
Write-down of inventories to net realisable value	19	**977**	6,540
Foreign exchange (gain) loss, net		**(1,195)**	218

7 FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Imputed interest on convertible notes	**2,025**	–
Interest on bank borrowings	**836**	761
Imputed interest on lease liabilities	**205**	155
	3,066	916

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a),(b),(c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 RMB'000	2020 RMB'000
Fees	**249**	267
Other emoluments:		
Salaries, allowances and benefits in kind	**1,453**	1,877
Discretionary bonus	**–**	–
Pension scheme contributions	**187**	157
	1,640	2,034
	1,889	2,301

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 RMB'000	2020 RMB'000
Mr. Wu Chak Man	**83**	89
Mr. Zhao Zhen	**83**	89
Mr. Ge Ning	**83**	89
	249	267

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors

2021

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Cheng Li (note (i))	–	471	–	85	556
Mr. Zhang Lake Mozi	–	296	–	14	310
Mr. Hu Qingyang	–	261	–	71	332
Non-executive directors:					
Mr. Wu Haiming	–	425	–	17	442
Ms. Li Juan	–	–	–	–	–
Mr. Zhang Haihua (note (ii))	–	–	–	–	–
	–	1,453	–	187	1,640

2020

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Cheng Li (note (i))	–	772	–	71	843
Mr. Zhang Lake Mozi	–	293	–	–	293
Mr. Hu Qingyang	–	372	–	71	443
Non-executive directors:					
Mr. Wu Haiming	–	440	–	15	455
Ms. Li Juan	–	–	–	–	–
Mr. Zhang Haihua (note (ii))	–	–	–	–	–
Mr. Hsieh Kun Tse (note (iii))	–	–	–	–	–
	–	1,877	–	157	2,034

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors (continued)

Notes:

(i) Mr. Cheng Li is also the chief executive officer.

(ii) Mr. Zhang Haihua was appointed as non-executive director on 31 July 2020.

(iii) Mr. Hsieh Kun Tse resigned as non-executive director on 31 July 2020.

During the years ended 31 December 2021 and 2020, no director waived or agreed to waive any emoluments. No emoluments was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included no director (2020: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining five (2020: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	**2,606**	1,130
Discretionary bonus	**–**	–
Pension scheme contributions	**61**	93
	2,667	1,223

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees 2021	 2020
Nil to HKD1,000,000	**5**	2

During the reporting period, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10 INCOME TAX CREDIT

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Under the relevant income tax law, the Mainland China subsidiaries are subject to income tax at a statutory rate of 25% on their respective taxable income, except for Nanjing Xibai and Nanjing Xile.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (《財政部、國家稅務總局關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》) promulgated by the State Council on 20 April 2012, if a corporate enterprise is recognised as a software enterprise, from tax filing at its first profitable year, the corporate enterprise can enjoy a preferential tax treatment (i.e., 2-year exemption and 3-year half payment). Nanjing Xibai and Nanjing Xile have been recognised as software enterprises since 27 May 2016 and filed in local tax bureau. Therefore, Nanjing Xibai would be exempted from income tax for their first two profitable years (i.e., 2015 and 2016) followed by a preferential income tax rate of 12.5% from 2017 to 2019 and Nanjing Xibai has been recognised as high-tech enterprise since 6 December 2019, the corporate enterprise can enjoy a preferential income tax rate of 15% from 2020 to 2022. Nanjing Xile would be exempted from income tax for their first two profitable years (i.e., 2019 and 2020) followed by a preferential income tax rate of 12.5% in 2021.

In addition to the recognised identification of high-tech enterprise and entitlement of a preferential income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as "Important Software Enterprise" under the National Planning Layout for the year, it can further enjoy a preferential tax rate of 10%. According to the relevant regulations, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential corporate income tax rate of 10% will be refunded to the relevant enterprises after the relevant period, and will be correspondingly reflected in the profit or loss account of the enterprise when it is refunded. There was no application for a preference tax rate of 10% regarding to the "Important Software Enterprise" for years ended 31 December 2021 and 2020. Thus, Nanjing Xibai has calculated the enterprise income tax expense at the preferential tax rate of 15% for years ended 31 December 2021 and 2020.

The income tax of the Group are analysed as follows:

	2021 **RMB'000**	2020 RMB'000
Current tax — Mainland China		
Provision for the year	**–**	20
Over-provision in respect of prior years	**(526)**	(1,218)
	(526)	(1,198)
Deferred tax		
Current year	**(144)**	(10,338)
Total tax credit for the year	**(670)**	(11,536)

10 INCOME TAX CREDIT (CONTINUED)

The taxation for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2021 RMB'000	2020 RMB'000
Loss before tax	**(57,557)**	(108,054)
Tax calculated at the Mainland China statutory tax rate of 25%	**(14,389)**	(27,013)
Lower tax rates for specific provinces or enacted by local authority	**(320)**	1,193
Income not subject to tax	**(2,210)**	(6,102)
Expenses not deductible for tax	**1,712**	12,937
Over-provision in respect of prior years	**(526)**	(1,218)
Tax losses not recognised	**15,207**	8,667
Tax credit at the Group's effective tax rate	**(526)**	(11,536)

11 PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that have material non-controlling interests are set out below:

	2021	2020
Percentage of equity interest held by non-controlling interests:		
Nanjing Xile	**49%**	49%

	2021 RMB'000	2020 RMB'000
Loss for the year allocated to non-controlling interests:		
Nanjing Xile	**(3,682)**	(343)
Accumulated balances of non-controlling interests at the reporting date:		
Nanjing Xile	**(236)**	3,446

11 PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

2021	**Nanjing Xile RMB'000**
Revenue	**1,924**
Total expense	**9,438**
Loss for the year	**7,514**
Total comprehensive expense for the year	**7,514**
Non-current assets	**238**
Current assets	**3,456**
Current liabilities	**4,175**
Net cash flows used in operating activities	**3,818**
Net decrease in cash and cash equivalents	**4,039**

2020	Nanjing Xile RMB'000
Revenue	10,576
Total expense	11,275
Loss for the year	699
Total comprehensive expense for the year	699
Non-current assets	18
Current assets	7,135
Current liabilities	120
Net cash flows used in operating activities	4,991
Net decrease in cash and cash equivalents	4,885

12 DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2021 and 2020.

13 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss attributable to owners of the Company, and the numbers of ordinary shares of 1,025,662,000 shares in issue during the years ended 31 December 2021 and 2020.

No adjustment was made in calculating diluted loss per share for the year ended 31 December 2021 as the conversion of convertible notes would result in decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

There was no potentially dilutive ordinary shares in issue during the year ended 31 December 2020, and therefore the diluted loss per share amount is equivalent to the basic loss per share.

The calculations of basic and diluted loss per share are based on:

	2021 **RMB'000**	2020 RMB'000
Loss		
Loss attributable to owners of the Company	**(51,455)**	(96,175)

	Number of shares **2021**	2020
Shares		
Number of ordinary shares in issue	**1,025,662,000**	1,025,662,000

	2021 **RMB cents**	2020 RMB cents
Loss per share attributable to owners of the Company — Basic and diluted	**(5.02)**	(9.38)

14 PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Computers and servers RMB'000	Construction in progress RMB'000	Total RMB'000
Cost				
At 1 January 2020	295	3,950	–	4,245
Additions	–	20	7,720	7,740
Disposal	–	(1,587)	–	(1,587)
Exchange realignment	(1)	(20)	–	(21)
At 31 December 2020 and 1 January 2021	294	2,363	7,720	10,377
Additions	18	43	–	61
Exchange realignment	–	(25)	–	(25)
At 31 December 2021	**312**	**2,381**	**7,720**	**10,413**
Depreciation and impairment				
At 1 January 2020	278	3,260	–	3,538
Depreciation provided for the year (note 6)	1	299	–	300
Disposal	–	(1,508)	–	(1,508)
Exchange realignment	(1)	(19)	–	(20)
At 31 December 2020 and 1 January 2021	278	2,032	–	2,310
Depreciation provided for the year (note 6)	–	121	–	121
Exchange realignment	–	(20)	–	(20)
At 31 December 2021	**278**	**2,133**	**–**	**2,411**
Carrying amount				
At 31 December 2021	**34**	**248**	**7,720**	**8,002**
At 31 December 2020	16	331	7,720	8,067

15 LEASES

The Group as a lessee

The Group has lease contracts for various items of land and buildings used in its operations with lease terms ranging from 3 to 50 years. Generally, the Group is restricted for assigning and subleasing the leased assets outside the Group. There are no lease contracts that include extension and termination options and variable lease payments.

(a) Right-of-use assets

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

	Buildings RMB'000	Land use rights RMB'000	Total RMB'000
As at 1 January 2020	3,330	–	3,330
Additions	1,853	160	2,013
Depreciation charge	(2,315)	(116)	(2,431)
Transfer from deposit for property, plant and equipment	–	5,348	5,348
Adjustment as a result of early termination of leases	(532)	–	(532)
Exchange realignment	(63)	–	(63)
As at 31 December 2020 and 1 January 2021	**2,273**	**5,392**	**7,665**
Additions	**3,151**	**–**	**3,151**
Depreciation charge	**(2,238)**	**(107)**	**(2,345)**
Exchange realignment	**8**	**–**	**8**
As at 31 December 2021	**3,194**	**5,285**	**8,479**

15 LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**2,110**	2,970
New leases	**3,151**	1,853
Accretion of interest recognised during the year	**205**	155
Payments	**(2,123)**	(2,250)
Adjustment as a result of early termination of leases	**–**	(551)
Exchange realignment	**28**	(67)
Carrying amount at 31 December	**3,371**	2,110
Analysed into:		
Current portion	**1,755**	1,447
Non-current portion	**1,616**	663
	3,371	2,110

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**205**	155
Depreciation charge of right-of-use assets	**2,345**	2,431
Total amount recognised in profit or loss	**2,550**	2,586

16 LONG-TERM RECEIVABLES

	Notes	2021 RMB'000	2020 RMB'000
Rental deposits		**841**	57
Loans to employees	(i)	**1,756**	4,180
Loans to third parties	(ii)	**320**	–
		2,917	4,237

Notes:

(i) Since September 2016, the Group had begun to offer certain employees interest-free loans which amounted to no more than RMB15,000,000 in aggregate. The employees, including key management personnel, who have served the Group for more than three years can apply for such interest-free loans to purchase home properties. The balance, including interest-free loans to key management personnel of RMB880,000 (2020: RMB1,511,000), represents the interest-free loans to employees which will be repaid within two to five years. The current portion which will be repaid within one year is presented in note 22.

(ii) The loans to third parties are unsecured, effective interest rates of 6% per annum and repayable within two to five years. The current portion which will be repaid within one year is presented in note 22.

17 DEPOSIT FOR PROPERTY, PLANT AND EQUIPMENT

	2021 RMB'000	2020 RMB'000
Deposit for acquisition of property, plant and equipment	**2,712**	2,712

The Group entered into an Agent Construction Agreement ("the Agreement") with an independent property developer ("the Vendor"), Nanjing Ningnan Property Development Company Limited ("南京寧南房地產開發有限公司") for construction of headquarter in Yuhuatai District at a total amount of approximately RMB62,179,000, out of which land use right amounted to approximately RMB5,348,000 was paid in 2019.

As at 31 December 2021 and 2020, the deposit mainly refers as guarantee deposit to secure the construction of headquarter in Nanjing.

The fee will be charged on a basis of stage of completion stated in the Agreement. Further details on the Group's commitments are set out in note 34.

18 OTHER FINANCIAL ASSETS

	Notes	2021 RMB'000	2020 RMB'000
Financial assets designated at FVTOCI			
— Unlisted equity securities	(i)	**195,790**	201,818
Financial assets at FVTPL			
— Unlisted equity securities	(ii)	**39,820**	45,527
— Convertible loans to third parties	(iii)	**15,359**	16,830
		250,969	264,175
Analysed into:			
— Non-current		**211,149**	259,217
— Current		**39,820**	4,958
		250,969	264,175

Notes:

(i) As at 31 December 2021 and 2020, certain equity securities as shown in following table were designated as financial assets at FVTOCI. These equity securities are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

18 OTHER FINANCIAL ASSETS (CONTINUED)

Notes: (continued)

(i) (continued)

	2021 RMB'000	2020 RMB'000
Nanjing Mengmiao Education Technology Co., Ltd.	**16,020**	13,320
Nanjing Shen Jufeng Engine Information Technology Company Limited*	**15,565**	12,669
Nanjing Hongdou Information Technology Company Limited*	**14,637**	16,851
Nanjing Youke Workshop Information Technology Co., Ltd.*	**14,620**	11,008
Nanjing Qianguang Information Technology Co., Ltd.*	**14,448**	11,352
Nanjing Shenkong Vision Artificial Intelligence Technology Development Company Limited*	**12,212**	9,804
Nanjing Duomai Information Technology Company Limited*	**11,571**	12,837
Nanjing Luobo Information Technology Company Limited*	**10,200**	7,950
Nanjing Free Chain Information Technology Company Limited*	**9,288**	9,288
Nanjing Yuanhui Information Technology Co., Ltd.*	**8,600**	7,568
Hangzhou Xianju Information Technology Co., Ltd.*	**8,465**	7,800
Nanjing Duozan Health Technology Company Limited*	**8,023**	13,315
Nanjing Yunqulu Network Technology Company Limited*	**7,052**	9,116
Suzhou Youchao Information Technology Co., Ltd.*	**6,270**	6,080
Nanjing Baicheng Medical Technology Company Limited*	**5,332**	15,308
Guangzhou Baxianguohai Information Technology Co., Ltd.*	**5,220**	5,400
Others	**28,267**	32,152
	195,790	201,818

At the end of the reporting period, no dividends were received on these equity securities (2020: RMB Nil).

* The English names referred herein represent management's best effort at translating from the official Chinese names of these companies for identification purposes as no English names have been registered.

(ii) The financial asset at FVTPL contains put options in which the Group has a right to request investees to repurchase the equity shares in certain situations including investees' failure in meeting specific profits guarantee or developing specific techniques, fundamental change in investees' principal activities and/or investees and original shareholders violated integrity and damaged the investees' interest.

	2021 RMB'000	2020 RMB'000
CCLOUD TECH LIMITED	**39,820**	45,527

(iii) The balance included convertible loans measured at fair value of RMB11,304,000 (2020: RMB11,872,000) and RMB4,055,000 (2020: RMB4,958,000) made to private companies, namely Nanjing Qianyu Information Technology Company Limited (「南京千魚信息技術有限公司」) ("Nanjing Qianyu") and Beijing Hongwei Technology Company Limited (「北京宏偉科技有限公司」) ("Beijing Hongwei"), respectively. In future, by evaluating the performance of Nanjing Qianyu and Beijing Hongwei over a period, the Group has the option to convert the loans into equity shares of Nanjing Qianyu and Beijing Hongwei.

The loan to Nanjing Qianyu was guaranteed by a subsidiary, Jiangsu Wansheng Weiye Network Technology Company Limited (「江蘇萬聖偉業網絡科技有限公司」) of an A-share listed company.

19 INVENTORIES

	2021 RMB'000	2020 RMB'000
Finished goods	–	133
Merchandised health solution plans	**1,465**	2,673
	1,465	2,806

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount of inventories sold	**44,277**	26,190
Write down of inventories to net realisable value	**977**	6,540
	45,254	32,730

20 TRADE AND BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**14,884**	13,280
Less: Impairment allowance	**(95)**	(136)
	14,789	13,144
Bills receivables	**831**	1,100
	15,620	14,244

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 to 180 days after date of invoices, depending on contracts with individual customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to customers with a good track record, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Bills receivables are those bills not yet due at the end of the reporting period and the management considers the default rate is low as the Group did not encounter any default on bills receivables based on past experience. All bills received by the Group are with a maturity period of less than one year.

20 TRADE AND BILLS RECEIVABLES (CONTINUED)

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the date of invoices and net of loss allowance, is as follows:

	2021 RMB'000	2020 RMB'000
Within 3 months	**7,274**	7,769
3 to 6 months	**2,631**	1,205
6 months to 1 year	**5,566**	2,346
1 to 2 years	**149**	281
2 to 3 years	**–**	2,643
	15,620	14,244

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of the year	**136**	271
Impairment losses, net (note 6)	**(41)**	(33)
Amount written off as uncollectible	**–**	(102)
At end of the year	**95**	136

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

20 TRADE AND BILLS RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

2021

	Expected credit loss rate %	Gross carrying amount RMB'000	Expected credit loss RMB'000	Net carrying amount RMB'000
Current (not past due)	**0.15**	**6,555**	**(10)**	**6,545**
Within 6 months past due	**0.96**	**7,104**	**(68)**	**7,036**
More than 6 months past due	**1.37**	**1,225**	**(17)**	**1,208**
		14,884	**(95)**	**14,789**

2020

	Expected credit loss rate %	Gross carrying amount RMB'000	Expected credit loss RMB'000	Net carrying amount RMB'000
Current (not past due)	0.17	7,792	(13)	7,779
Within 6 months past due	0.89	2,460	(22)	2,438
More than 6 months past due	3.34	3,028	(101)	2,927
		13,280	(136)	13,144

Further details on the Group's credit policy are set out in note 38.

21 CONTRACT ASSETS

	2021 RMB'000	2020 RMB'000
Contract assets arising from marketing and promotional services	**7,293**	18,416
Less: Impairment allowance	**(27)**	(110)
	7,266	18,306

As at 1 January 2020, contract assets amounted to RMB23,527,000.

Contract assets are initially recognised for revenue earned from the marketing and promotional services as the receipt of consideration is conditional on successful completion of services. Included in contract assets for marketing and promotional services are retention receivables. Upon completion of services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The significant change in contract assets in 2021 and 2020 was the result of the decrease in the ongoing provision of marketing and promotional services at the end of each of the years.

During the year ended 31 December 2021, impairment losses of RMB83,000 were reversed (2020: impairment losses of RMB178,000 were reversed) for expected credit losses on contract assets.

The expected timing of recovery or settlement for contract assets as at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	**7,266**	18,306

The movements in the loss allowance for impairment of contract assets are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of the year	**110**	288
Impairment losses, net (note 6)	**(83)**	(178)
At end of the year	**27**	110

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates for the measurement of the ECLs of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

21 CONTRACT ASSETS (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

2021

Expected credit loss rate	**0.37%**

	RMB'000
Gross carrying amount	**7,293**
Expected credit losses	**27**

2020

Expected credit loss rate	0.60%

	RMB'000
Gross carrying amount	18,416
Expected credit losses	110

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2021 RMB'000**	2020 RMB'000
Advance payments to suppliers		**589**	503
Prepayment	(i)	**12,755**	514
Employee advances		**95**	74
Rental deposits		**38**	865
Other receivables	(ii)	**4,672**	487
Loans to third parties	16(ii)	**240**	1,180
Loans to employees	16(i)	**2,008**	2,725
		20,397	6,348
Less: Impairment allowance		**(285)**	(924)
		20,112	5,424

Notes:

(i) Prepayment included HK$7,000,000 (equivalent to approximately RMB5,723,000) for technology licensing service and HK$8,600,000 (equivalent to approximately RMB7,032,000) for health product service.

(ii) Included in other receivables of approximately RMB3,988,000 is the other tax receivables at 31 December 2021.

23 CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**27,851**	44,090

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB22,297,000 (2020: RMB44,019,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

24 TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Within 1 month	**1,745**	2,201

At 31 December 2021, the trade payables are non-interest-bearing and normally settled within 30 days.

25 CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Short-term advances received from customers — Marketing and promotional services	**600**	339

As at 1 January 2020, contract liabilities amounted to approximately RMB35,000.

Contract liabilities include short-term advances received to deliver marketing and promotional services. The increase in contract liabilities in 2021 was mainly due to the increase in short-term advances received from customers at end of the year.

The following table shows how much of the revenue recognised in the current year related to carried-forward contract liabilities.

	2021 RMB'000	2020 RMB'000
Marketing and promotional services	**339**	35

26 OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Other payables	**3,461**	3,939
Accruals	**21**	23
Other tax payables	**8,701**	5,308
Employee related payables	**4,512**	4,415
	16,695	13,685

Other payables are non-interest-bearing and repayable on demand.

27 INTEREST-BEARING BANK BORROWINGS

	2021			2020		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loan, guaranteed	**4.35-4.65**	**2022**	**22,500**	4.35	2021	10,000
Bank loan, unsecured	**–**	**–**	**–**	4.05–4.35	2021	9,000
			22,500			19,000

	2021 RMB'000	2020 RMB'000
Carrying amounts repayable:		
Within one year or on demand	**22,500**	19,000

Notes:

(a) The loans of RMB22,500,000 (2020: RMB10,000,000) are guaranteed by personal guarantees given by an executive director, Mr. Cheng Li, and non-executive directors, Ms. Li Juan and Mr. Wu Haiming, of the Company. The relevant directors did not receive any fees for such guarantees from the Group and the Group did not provide any collateral for the aforesaid guarantees to the relevant directors.

(b) The Group's bank facilities amounted to RMB22,500,000 (2020: RMB19,000,000), all of which had been utilised as at the end of the reporting period and will be settled within one year.

(c) The loans are denominated in RMB.

28 CONVERTIBLE NOTES

The Company issued HK$32,000,000 (approximately RMB27,046,000), 5% convertible notes at a par value of HK$0.24 each on 29 March 2021. The convertible notes are denominated in Hong Kong dollars. The notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on 29 March 2021 at a conversion price of HK$0.24 per convertible note. If the notes have not been converted, they will be redeemed at 29 March 2022. Interest of 5% will be paid annually at 29 March 2022.

At initial recognition, the equity component of the convertible notes was separated from the liability component. The equity element is presented in equity heading "convertible notes equity reserve" of HK$1,776,000 (approximately RMB1,502,000). The effective interest rate of the liability component is 11.58%.

The movement of the liability component of the convertible notes for the year is set out below:

	Total RMB'000
At 1 January 2021	**–**
Issue of the convertible notes	**25,207**
Effective interest expense	**2,025**
Exchange gains	**(854)**
At 31 December 2021	**26,378**

29 DEFERRED TAX

(a) Deferred tax liabilities recognised

The component of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value adjustment on unlisted equity securities RMB'000	Fair value adjustment on loans receivables RMB'000	Impairment of trade receivables RMB'000	Impairment of contract assets RMB'000	Total RMB'000
At 1 January 2020	(8,752)	(344)	41	43	(9,012)
Credited/(charged) to the consolidated statement of profit or loss (note 10)	10,222	200	(41)	(43)	10,338
Charged to the consolidated statement of other comprehensive income	(4,046)	–	–	–	(4,046)
At 31 December 2020	(2,576)	(144)	–	–	(2,720)
At 31 December 2020 and 1 January 2021	**(2,576)**	**(144)**	**–**	**–**	**(2,720)**
Credited to the consolidated statement of profit or loss (note 10)	**–**	**144**	**–**	**–**	**144**
Credited to the consolidated statement of other comprehensive income	**2,576**	**–**	**–**	**–**	**2,576**
At 31 December 2021	**–**	**–**	**–**	**–**	**–**

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Deferred tax liabilities	**–**	(2,720)

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2.4, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB57,133,000 (2020: RMB72,404,000) and other deductible temporary differences of approximately RMB47,062,000 (2020: RMB41,268,000) as it is not probable that future taxable profits against which the temporary differences can be utilised will be available in the relevant tax jurisdiction of the entities. Except for the tax losses of approximately RMB50,946,000 (2020: RMB69,979,000) will expire within 5 years, the remaining tax losses of approximately RMB6,187,000 (2020: RMB2,425,000) have no expiry date under the current tax legislation.

29 DEFERRED TAX (CONTINUED)

(c) Deferred tax liabilities not recognised

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2021 and 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in Mainland China for which deferred tax liabilities have not been recognised totally approximately RMB131,362,000 at 31 December 2021 (2020: RMB136,386,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30 SHARE CAPITAL

	2021 **RMB'000**	2020 RMB'000
Issued and fully paid: 1,025,662,000 (2020: 1,025,662,000) ordinary shares of HKD0.01 each	**8,090**	8,090

There was no movement in the Company's issued capital during the year.

31 SHARE OPTION SCHEME

The Company adopted a share option scheme on 19 June 2015 (the "Share Option Scheme") for the purpose of providing incentive or rewarding eligible persons (including director or employee (whether full time or part time), consultant or advisor of our Group) for their contribution to, and continuing efforts to promote the interests of our Group and for such other purposes as the Board may approve from time to time. No share option has been granted under the Share Option Scheme since its adoption by the Company. The Share Option Scheme became effective on the date of the Company's listing (8 July 2015) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 100,000,000 shares, representing 10% of the shares of the Company in issue as at the date of adoption of the Share Option Scheme and 9.75% of the shares of the Company in issue as at the date of this annual report. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

31 SHARE OPTION SCHEME (CONTINUED)

A grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the Option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HKD5 million, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer upon payment of a nominal consideration of RMB1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of the share options shall be not less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options, which must be a date on which the Stock Exchange is open for business of dealing in securities; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options were granted during the years ended 31 December 2021 and 2020, and no share options were outstanding under the Scheme as at 31 December 2021 and 2020.

32 RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity on page 105 of the financial statements.

Certain subsidiaries established in the Mainland China are required to transfer 10% of their profits after tax calculated in accordance with the Mainland China accounting regulations to their respective statutory reserve funds until the reserve funds reach 50% of their respective registered capital, upon which any further appropriation is on the directors' recommendation. Such reserve refunds are restricted from distribution to the Company in the form of dividend and may be used to reduce any losses incurred by the subsidiaries or may be capitalised as paid-up capital of the subsidiaries, provided that the remaining balance after the capitalisation is not less than 50% of the registered capital.

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

2021	Convertible notes RMB'000	Interest-bearing bank borrowings RMB'000	Interest payables RMB'000	Lease liabilities RMB'000
At 1 January 2021	–	19,000	–	2,110
Changes from financing cash flows, net	26,709	3,500	(805)	(1,918)
Convertible notes equity reserve	(1,502)	–	–	–
New leases	–	–	–	3,151
Foreign exchange movement	(854)	–	–	28
Interest expense	2,025	–	836	205
Interest paid classified as operating cash flows	–	–	–	(205)
At 31 December 2021	26,378	22,500	31	3,371

2020	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2020	49,000	2,970
Changes from financing cash flows, net	(30,761)	(2,095)
New leases	–	1,853
Adjustment as a result of early termination of leases	–	(551)
Foreign exchange movement	–	(67)
Interest expense	761	155
Interest paid classified as operating cash flows	–	(155)
At 31 December 2020	19,000	2,110

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	205	155
Within investing activities	–	160
Within financing activities	(1,918)	2,095
	(1,713)	2,410

34 COMMITMENTS

Save as disclosed in note 1(iv) and (v), the Group had the following capital commitment at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Land and buildings	**49,030**	52,315

35 RELATED PARTY TRANSACTIONS

(a) Material transactions with key management personnel:

	2021 RMB'000	2020 RMB'000
For the year		
Maximum aggregate amount of loans	**1,511**	1,755
At the year-end		
Loans to key management personnel	**880**	1,511

The loans granted to key management personnel who are not directors of the Company are interest-free housing loans and have fixed terms of repayment of five years, which are included in loans to employees in note 16 and note 22.

(b) Compensation of key management personnel of the Group:

	2021 RMB'000	2020 RMB'000
Short term employee benefits	**947**	3,659
Pension scheme contributions	**67**	264
	1,014	3,923

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

36 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Total RMB'000
Long-term receivables	2,917	–	–	2,917
Other financial assets	–	55,179	195,790	250,969
Trade and bills receivables	15,620	–	–	15,620
Financial assets included in prepayments, deposits and other receivables	2,780	–	–	2,780
Cash and cash equivalents	27,851	–	–	27,851
	49,168	55,179	195,790	300,137

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	1,745
Financial liabilities included in other payables	3,460
Interest-bearing bank borrowings	22,500
Lease liabilities	3,371
Convertible notes	26,378
	57,454

36 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2020

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Total RMB'000
Long-term receivables	4,180	–	–	4,180
Other financial assets	–	62,357	201,818	264,175
Trade and bills receivables	14,244	–	–	14,244
Financial assets included in prepayments, deposits and other receivables	3,542	–	–	3,542
Cash and cash equivalents	44,090	–	–	44,090
	66,056	62,357	201,818	330,231

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	2,201
Financial liabilities included in other payables	3,939
Interest-bearing bank borrowings	19,000
Lease liabilities	2,110
	27,250

37 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purpose.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 Fair Value Measurement.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of financial assets at FVTPL and FVTOCI with significant unobservable under Level 3 which have been assessed by the valuer using the valuation techniques of (i) market approach, discounted cash flows and asset-based approach for growing and well-developed companies and (ii) Black Scholes Model for financial assets with derivative embedded. The following table provides information about Level 3 fair value measurements.

37 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments for which fair values are disclosed:

Fair value hierarchy as at 31 December 2021

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Other financial assets				
Financial assets designated at fair value through other comprehensive income				
— Unlisted equity securities	–	–	195,790	195,790
Financial assets at fair value through profit or loss				
— Unlisted equity securities	–	–	39,820	39,820
— Convertible loans to third parties	–	–	15,359	15,359
	–	–	250,969	250,969

Fair value hierarchy as at 31 December 2020

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Other financial assets				
Financial assets designated at fair value through other comprehensive income				
— Unlisted equity securities	–	–	201,818	201,818
Financial assets at fair value through profit or loss				
— Unlisted equity securities	–	–	45,527	45,527
— Convertible loans to third parties	–	–	16,830	16,830
	–	–	264,175	264,175

37 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at the end of the reporting period:

2021

Financial assets	Valuation techniques	Significant unobservable input
Financial assets at FVTPL		
Unlisted equity securities and convertible loans to third parties	Discounted Cash Flows	Effective interest rate, taking into account of risk-adjusted return, is 10% (note (i))
	Black Scholes Model	Expected volatility of 32%, taking into account volatility in entities in similar industries extracted from the financial database of Wind (萬得信息技術股份有限公司) ("Wind")) (note (ii))
Financial assets designated at FVTOCI		
Unlisted equity securities	Market approach	Price/book ratio ranging from 3.7 to 8.5, taking into account price/book ratio of entities in similar industries extracted from database of Wind, adjusted for discount for lack of marketability (note (iii))
		Enterprise value/sales ratio ranging from 7.2 to 13.8, taking into account enterprise value/sales ratio of entities in similar industries extracted from database of Wind, adjusted for discount for lack of marketability (note (iv))

Notes:

(i) An increase in the effective interest rate used in isolation would result in a decrease in the fair value measurement of the financial assets at FVTPL and vice versa. 5% increase/decrease in the effective interest rate holding all other variables constant would decrease/increase the carrying amount of financial assets at FVTPL RMB1,924,000 and RMB2,316,000, respectively.

(ii) An increase in the expected volatility used in isolation would result in an increase in the fair value measurement of the financial assets at FVTPL and vice versa. 10% increase/decrease in the volatility holding all other variables constant would increase/decrease the carrying amount of financial assets at FVTPL by RMBNil.

(iii) An increase in the price/book ratio used in isolation would result in an increase in the fair value measurement of the financial assets designated at FVTOCI, and vice versa. 2% increase/decrease in the price/book ratio holding all other variables constant would increase/decrease the carrying amount of the financial assets designated at FVTOCI by RMB4,327,000 and RMB4,327,000, respectively.

(iv) An increase in the enterprise value/sales ratio used in isolation would result in an increase in the fair value measurement of the financial assets designated at FVTOCI, and vice versa. 2% increase/decrease in the enterprise value/sales ratio holding all other variables constant would increase/decrease the carrying amount of the financial assets designated at FVTOCI by RMB1,748,000 and RMB1,748,000, respectively.

37 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

2020

Financial assets	Valuation techniques	Significant unobservable input
Financial assets at FVTPL		
Unlisted equity securities and convertible loans to third parties	Discounted Cash Flows	Effective interest rate, taking into account of risk-adjusted return, ranging from 10% to 11% (note (i))
	Black Scholes Model	Expected volatility of 35%, taking into account volatility in entities in similar industries extracted from the financial database of Wind (萬得信息技術股份有限公司) ("Wind")) (note (ii))
Financial assets designated at FVTOCI		
Unlisted equity securities	Market approach	Price/book ratio ranging from 4.4 to 10.9, taking into account price/book ratio of entities in similar industries extracted from database of Wind, adjusted for discount for lack of marketability (note (iii))
		Enterprise value/sales ratio ranging from 4 to 24, taking into account enterprise value/sales ratio of entities in similar industries extracted from database of Wind, adjusted for discount for lack of marketability (note (iv))

Notes:

(i) An increase in the effective interest rate used in isolation would result in a decrease in the fair value measurement of the financial assets at FVTPL and vice versa. 5% increase/decrease in the effective interest rate holding all other variables constant would decrease/increase the carrying amount of financial assets at FVTPL RMB1,523,000 and RMB1,815,000, respectively.

(ii) An increase in the expected volatility used in isolation would result in an increase in the fair value measurement of the financial assets at FVTPL and vice versa. 10% increase/decrease in the volatility holding all other variables constant would increase/decrease the carrying amount of financial assets at FVTPL by RMBNil.

(iii) An increase in the price/book ratio used in isolation would result in an increase in the fair value measurement of the financial assets designated at FVTOCI, and vice versa. 2% increase/decrease in the price/book ratio holding all other variables constant would increase/decrease the carrying amount of the financial assets designated at FVTOCI by RMB3,349,000 and RMB3,361,000, respectively.

(iv) An increase in the enterprise value/sales ratio used in isolation would result in an increase in the fair value measurement of the financial assets designated at FVTOCI, and vice versa. 2% increase/decrease in the enterprise value/sales ratio holding all other variables constant would increase/decrease the carrying amount of the financial assets designated at FVTOCI by RMB691,000 and RMB699,000, respectively.

37 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Reconciliation of Level 3 fair value measurements

The movements in fair value measurements within Level 3 during the year are as follows:

	Financial assets at FVTPL		Financial assets designated at FVTOCI	
	Unlisted equity securities RMB'000	Convertible loans to third parties RMB'000	Unlisted equity securities RMB'000	Total RMB'000
At 1 January 2020 (Restated)	316,402	19,688	2,221	338,311
Deemed derecognition of financial assets	(257,934)	–	212,829	(45,105)
Additions	–	–	2,500	2,500
Disposal	(2,031)	–	–	(2,031)
Loan interest receivable	–	988	–	988
Exchange realignment	(2,707)	–	(97)	(2,804)
Changes in fair value recognised in profit and loss	(8,203)	(3,846)	–	(12,049)
Changes in fair value recognised in other comprehensive income	–	–	(15,635)	(15,635)
At 31 December 2020	45,527	16,830	201,818	264,175
At 31 December 2020 and 1 January 2021	**45,527**	**16,830**	**201,818**	**264,175**
Loan interest receivable	**–**	**1,037**	**–**	**1,037**
Exchange realignment	**1,202**	**–**	**28**	**1,230**
Changes in fair value recognised in profit and loss	**(6,909)**	**(2,508)**	**–**	**(9,417)**
Changes in fair value recognised in other comprehensive income	**–**	**–**	**(6,056)**	**(6,056)**
At 31 December 2021	**39,820**	**15,359**	**195,790**	**250,969**

The Group did not have any financial liabilities measured at fair value as at 31 December 2021 and 2020.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The board of directors reviews and agrees policies for managing the risks and they are summarised below.

Foreign currency risk

The Group's is exposure to foreign exchange risks were primarily related to bank balances mainly denominated in Hong Kong dollars.

The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the reporting period. However, management closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. In this respect, the Group is not exposed to any significant foreign currency exchange risk in its operation.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of the reporting period. The amounts presented are gross carrying amounts for financial assets.

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

2021

	12-months ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Financial assets at amortised costs included in long-term receivables	2,917	–	–	–	2,917
Trade and bills receivables (note (i))	831	–	–	14,884	15,715
Contract assets (note (i))	–	–	–	7,293	7,293
Financial assets included in prepayments, deposits and other receivables					
— Normal (note (ii))	3,065	–	–	–	3,065
Cash and cash equivalents					
— Not yet past due	27,851	–	–	–	27,851
	34,664	–	–	22,177	56,841

2020

	12-months ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Financial assets at amortised costs included in long-term receivables	4,180	–	–	–	4,180
Trade and bills receivables (note (i))	1,100	–	–	13,280	14,380
Contract assets (note (i))	–	–	–	18,416	18,416
Financial assets included in prepayments, deposits and other receivables					
— Normal (note (ii))	2,362	–	–	–	2,362
— Doubtful (note (ii))	–	1,180	–	–	1,180
Cash and cash equivalents					
— Not yet past due	44,090	–	–	–	44,090
	51,732	1,180	–	31,696	84,608

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

Notes:

(i) For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 and 21 to the financial statements. For bills receivables, the credit risk is limited because the bills are guaranteed by banks for payments and the banks are creditworthy financial institutions in the PRC.

(ii) The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

(iii) At the end of the reporting period, there is no significant concentration of credit risk.

Interest rate risk

The Group's interest rate risk arises primarily from the Group's cash and cash equivalents and interest-bearing bank borrowings. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in below.

Interest rate profile

	2021 RMB'000	2020 RMB'000
Net fixed rate assets/(liabilities):		
Loan to a third party	**560**	256
Loans to employees	**3,764**	6,905
Lease liabilities	**(3,372)**	(2,110)
Convertible notes	**(26,378)**	–
Interest-bearing bank borrowings	**(18,500)**	–
	(43,926)	5,051
Net variable rate assets/(liabilities):		
Cash and cash equivalents	**27,851**	44,090
Interest-bearing bank borrowings	**(4,000)**	(19,000)
	23,851	25,090
Net exposure	**(20,075)**	30,141

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of one percent in interest rates, with all other variables held constant, would decrease/increase the Group's loss before taxation by approximately RMB238,510 (2020: decrease/increase the Group's loss before taxation RMB250,900).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The analysis has been performed on the same basis as for 2020.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through interest-bearing bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

2021

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	**1,745**	**–**	**–**	**–**	**1,745**
Financial liabilities included in other payables	**3,460**	**–**	**–**	**–**	**3,460**
Interest-bearing bank borrowings	**–**	**10,000**	**12,500**	**–**	**22,500**
Lease liabilities	**–**	**301**	**1,638**	**1,691**	**3,630**
Convertible notes	**–**	**26,378**	**–**	**–**	**26,378**
	5,205	**36,679**	**14,138**	**1,691**	**57,713**

2020

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	2,201	–	–	–	2,201
Financial liabilities included in other payables	3,939	–	–	–	3,939
Interest-bearing bank borrowings	–	10,063	9,231	–	19,294
Lease liabilities	–	–	1,518	691	2,209
	6,140	10,063	10,749	691	27,643

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No change was made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The Group monitors capital by regularly reviewing the gearing ratio, which is total liabilities divided by total assets. The gearing ratio as at the end of the reporting periods were as follows:

	2021 RMB'000	2020 RMB'000
Total current liabilities	**75,541**	42,540
Total non-current liabilities	**1,616**	3,383
	77,157	45,923
Total current assets	**112,134**	89,828
Total non-current assets	**233,259**	281,898
	345,393	371,726
Gearing ratio	**22%**	12%

39 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
Non-current asset		
Property, plant and equipment	15	15
Current assets		
Prepayments, deposits and other receivables	13,737	1,016
Cash and cash equivalents	5,493	21
Due from subsidiaries	210,897	214,506
	230,127	215,543
Current liabilities		
Due to subsidiaries	2,597	4,019
Employee related payable	423	485
Convertible notes	26,378	–
	29,398	4,504
Net current assets	200,729	211,039
NET ASSETS	200,744	211,054
Equity		
Share capital	8,090	8,090
Reserves (note)	192,654	202,964
TOTAL EQUITY	200,744	211,054

Approved and authorised for issue by the Board of Directors on 31 March 2022.

Cheng Li
Director

Zhang Lake Mozi
Director

39 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share Premium RMB'000	Exchange fluctuation reserve RMB'000	Convertible notes equity reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	224,688	30,479	–	(33,972)	221,195
Loss for the year	–	–	–	(4,619)	(4,619)
Other comprehensive income for the year:					
Exchange differences related to foreign operations	–	(13,612)	–	–	(13,612)
Total comprehensive expense for the year	–	(13,612)	–	(4,619)	(18,231)
At 31 December 2020 and 1 January 2021	**224,688**	**16,867**	**–**	**(38,591)**	**202,964**
Loss for the year	**–**	**–**	**–**	**(5,823)**	**(5,823)**
Other comprehensive income for the year:					
Exchange differences related to foreign operations	**–**	**(5,988)**	**–**	**–**	**(5,988)**
Total comprehensive expense for the year	**–**	**(5,988)**	**–**	**(5,823)**	**(11,811)**
Issuance of convertible notes	**–**	**–**	**1,502**	**–**	**1,502**
At 31 December 2021	**224,688**	**10,879**	**1,502**	**(44,414)**	**192,655**

40 EVENT AFTER THE REPORTING PERIOD

On 30 March 2022, the Company entered into an amendment and restatement deed (the "Amendment and Restatement Deed") with the convertible note holders to extend the maturity date to 30 April 2023 for convertible notes with principal amount of HK$14,500,000 (equivalent to RMB11,855,000) and amend relevant terms of such convertible notes, subject to and effective from fulfilment of conditions precedent and conditions subsequent in the Amendment and Restatement Deed signed on 30 March 2022. The Company will repay an agreed portion of the convertible notes by 30 April 2022. For details, please refer to the announcement dated on 30 March 2022.

41 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2021.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Restated)	(Restated)	
Revenue	**93,744**	92,267	94,294	109,713	91,132
(Loss) profit for the year	**(55,137)**	(96,518)	23,233	40,688	37,947
(Loss) profit attributable to:					
Owners of the Company	**(51,455)**	(96,175)	19,437	39,206	34,584
Non-controlling interests	**(3,682)**	(343)	3,796	1,482	3,363
	(55,137)	(96,518)	23,233	40,688	37,947

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**345,393**	371,726	522,971	457,085	398,131
Total liabilities	**(77,157)**	(45,923)	(78,266)	(35,103)	(18,831)
Total equity	**268,236**	325,803	444,705	421,982	379,300
Attributable to:					
Owners of the Company	**268,472**	322,357	440,916	421,994	380,794
Non-controlling interests	**(236)**	3,446	3,789	(12)	(1,494)
	268,236	325,803	444,705	421,982	379,300