车市科技
CHESHI TECH

Cheshi Technology Inc.

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1490

2021
Annual Report

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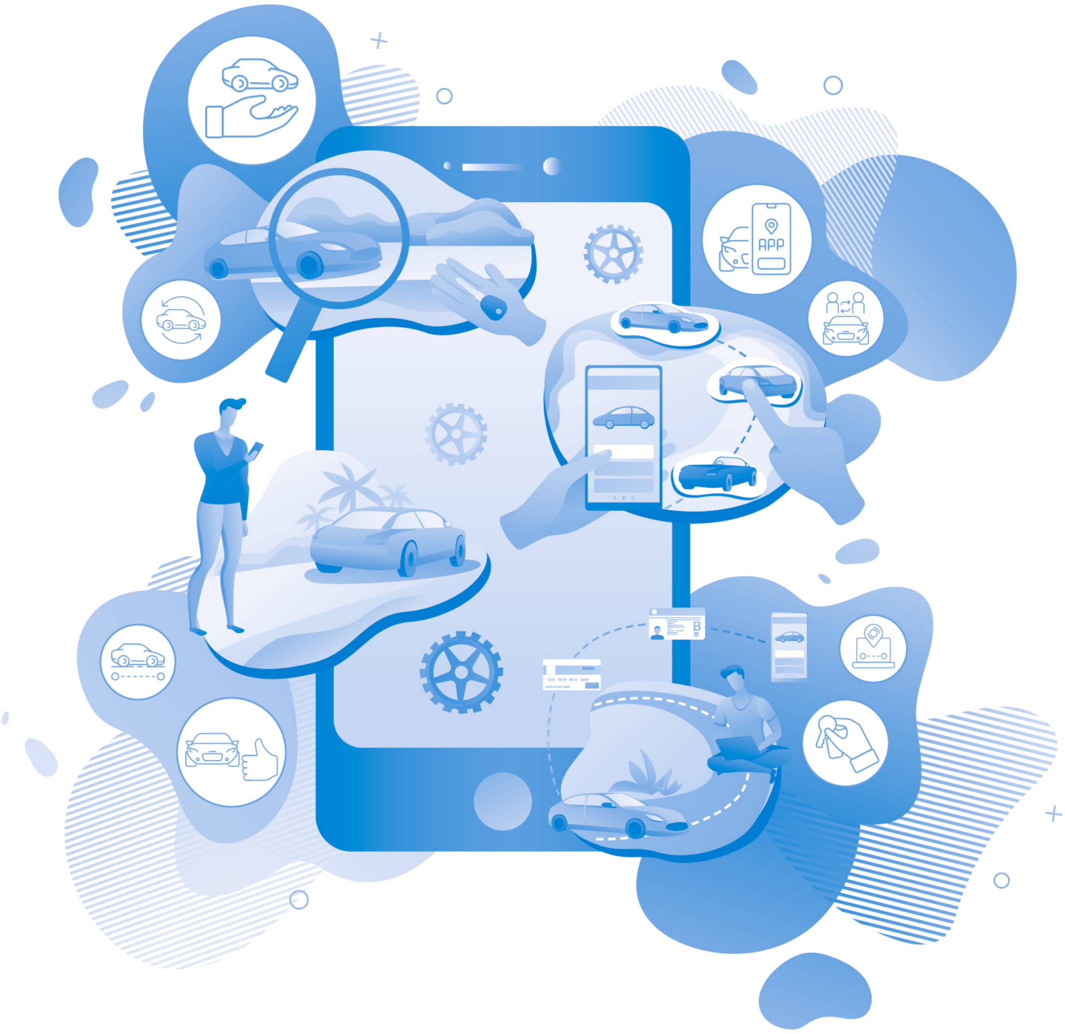

Corporate Information

DIRECTORS

Executive Directors

Mr. Xu Chong (徐翀) *(Chairman and chief executive officer)*
Mr. Liu Lei (劉磊)
Mr. Zhu Boyang (朱博揚)
Mr. Lin Yuqi (林渝奇) *(appointed on March 29, 2021)*
Ms. Suo Yan (索研) *(resigned on March 29, 2021)*

Independent Non-executive Directors

Mr. Xu Xiangyang (徐向陽)
Mr. Li Ming (李明)
Mr. Ng Jack Ho Wan (吳浩雲)

AUDIT COMMITTEE

Mr. Ng Jack Ho Wan (alias Ng Jacky) (吳浩雲) *(Chairman)*
Mr. Xu Xiangyang (徐向陽)
Mr. Li Ming (李明)

REMUNERATION COMMITTEE

Mr. Xu Xiangyang (徐向陽) *(Chairman)*
Mr. Lin Yuqi (林渝奇)
Mr. Ng Jack Ho Wan (alias Ng Jacky) (吳浩雲)

NOMINATION COMMITTEE

Mr. Xu Chong (徐翀) *(Chairman)*
Mr. Xu Xiangyang (徐向陽)
Mr. Li Ming (李明)

AUTHORISED REPRESENTATIVES

Mr. Zhu Boyang (朱博揚)
Ms. Leung Shui Bing (梁瑞冰) (ACG, HKACG)

JOINT COMPANY SECRETARIES

Mr. Zhu Boyang (朱博揚)
Ms. Leung Shui Bing (梁瑞冰) (ACG, HKACG)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building
Central
Hong Kong

HONG KONG LEGAL ADVISER

Tian Yuan Law Firm LLP

COMPLIANCE ADVISER

Somerley Capital Limited

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR

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Grand Cayman KY-1-1106
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HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor Hopewell Center
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Hong Kong

COMPANY WEBSITE

www.cheshi.com

STOCK CODE

1490

Financial Highlights

	Year ended December 31,				
	2017	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	117,578	157,847	177,615	180,404	**197,185**
Gross Profit	100,742	136,584	148,763	152,461	**146,403**
Profit for the year attributable to owners of the Company	27,475	47,603	51,710	64,641	**41,013**
Adjusted net profit(1)	27,475	50,529	60,315	79,099	**58,816**

	Year ended December 31,				
	2017	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	129,252	189,192	270,108	339,294	**560,274**
Total liabilities	51,338	113,675	142,484	140,921	**80,260**
Total equity	77,914	75,517	127,624	198,373	**480,014**

Note:

(1) Adjusted net profit is defined as profit for the year adjusted by adding back or excluding share-based compensation expenses, listing expenses and fair value gain on convertible redeemable preference shares.

Chairman's Statement

Dear Shareholders,

2021 marked a milestone for the Company. Our Shares were listed on the Main Board of the Stock Exchange on January 15, 2021. Therefore I am pleased to present to our Shareholders our second Annual Report for the year ended December 31, 2021.

MARKET OVERVIEW

2021 was a year of challenges and opportunities for the automobile industry in China. As the impact of the COVID-19 pandemic gradually subsided, China's automobile industry began to recover in 2021. According to data from the CAAM, in 2021, China's automobile production and sales rose 3.4% and 3.8% year-on-year to 26.1 million units and 26.3 million units respectively, putting an end to the downward trend over three consecutive years, and the market is expected to maintain growth in 2022. In particular, the new energy vehicle market grew strongly in China. As shown by data from the MIIT, in 2021, the production and sales of new energy vehicles in China reached 3.6 million units and 3.5 million units, representing a year-on-year increase of 1.6 times, ranking first in the world for seven consecutive years. Along with the stable growth of the entire automobile market, the automobile advertising industry in China has also developed continuously. According to publicly available information, the automobile advertising and information market in China increased from RMB49.9 billion in 2015 to RMB74.8 billion in 2019, representing a compound annual growth rate (CAGR) of 10.7%, and is expected to increase from RMB56.8 billion in 2020 to RMB116.4 billion in 2025, representing a CAGR of 15.4%. By market penetration in China, the online automobile advertising increased from 33.7% in 2015 to 45.6% in 2019. Driven by the impact of the COVID-19 pandemic and technologies such as the mobile internet and the metaverse, the offline marketing budgets are expected to continue to turn to online marketplaces in the future. It is estimated that the market penetration of online automobile advertising will reach 58.6% in China by 2025. On the other hand, the "chip shortage" throughout the year continued to put pressure on the production and operation of automobile manufacturers and dealers, adding uncertainty to the development of the domestic and global automobile industry.

According to the research data from CIC, an industry consultant, China's mobility business market amounted to RMB5.7 trillion in 2020 and is expected to grow at a compound annual growth rate of 13.1% to RMB10.6 trillion by 2025. And driven by policies, such as the "official car reform", "online car-hailing policy" and "new tax policy reform", the enterprise mobility business market embraces good opportunity for development. According to the research data from iResearch, China's enterprise mobility business market was close to RMB250 billion in 2020.

Given the advanced and strong internal technical capabilities of the Group, the Company maintained stable in the development of existing businesses. In addition, due to the comprehensive implementation of industrial internet and the establishment of digital ecosystems by the Company to form the "second growth curve" and optimize revenue structure in 2021. As of December 31, 2021, the Company recorded revenue of approximately RMB197.2 million, representing a positive performance compared with approximately RMB180.4 million for the corresponding period of 2020.

GROUP OVERVIEW

Founded in September 2015, the Group acquired the business and assets of "Cheshi.com" in October 2015, a vertically-integrated automotive website portal, which commenced operations in China in September 1999. Since then, the Group has developed into one of the leading automobile vertical media advertising platforms in China and is committed to provide its business partners and end users with comprehensive and high-quality automobile content and one-stop marketing solutions. The automobile content is produced by the Group's in-house content team and distributed across its proprietary platforms, comprising of the Group's PC websites, mobile websites and mobile applications and a network of over 1,000 business partner platforms. The Group's widely distributed content drives high user traffic which in turn attracts automobile advertisers to use its advertising services and which in turn would solidify the Group's market position in the automobile vertical media advertising industry.

Following the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date, the Company accesses the capital markets in Hong Kong, thereby enhancing its financial position and brand awareness. In September 2021, the Company was renamed as "CHESHI TECH", showing the Company's entrepreneurial spirit and culture focusing on perseverance, breakthroughs and innovation. In 2021, the Company officially enters the mobility service market. By implementing the planning of industrial internet and business digitalization, leveraging the duel-driven mode of technology and service and adhering to the development strategy of digitalization, collaboration and intelligentization, the Company strives to establish an efficient industrial collaboration network and full-chain service ecosystem in the form of an internet platform for the automobile industry and achieve the strategic goal of becoming a "super connector" of China's automobile industry.

BUSINESS OVERVIEW

In 2021, affected by the COVID-19 pandemic, the chip shortage and other negative factors, the Group maintained a stable growth trend. For the year ended December 31, 2021, the Group's revenue amounted to approximately RMB197.2 million, representing an increase of approximately 9.3% compared with approximately RMB180.4 million for the corresponding period of 2020, which was due to the increase in the revenue from the Company's new businesses over the corresponding period. Among them, for the year ended December 31, 2021, revenue from the Online Advertising Services of the Group was approximately RMB178.9 million, broadly flat with the corresponding period of 2020. Revenue from the Transaction Facilitation Services of the Group was approximately RMB0.6 million, representing a decrease of approximately 56.8% compared to the corresponding period of 2020, which was due to limited offline activities affected by the pandemic. In respect of new businesses, for the year ended December 31, 2021, the Company successfully realized the commercialization of technology and mobility business, recording revenue from the SaaS Services and the Mobility Business of approximately RMB6.9 million and approximately RMB10.7 million, respectively.

Gross profit for the year ended December 31, 2021 was approximately RMB146.4 million, representing a decrease of approximately 4% compared with approximately RMB152.5 million for the corresponding period of 2020. For the year ended December 31, 2021, the Group's net profit was approximately RMB40.8 million, representing a decrease of approximately 36.8% compared to the corresponding period of 2020, which was mainly due to the increase in the Group's share-based incentive expenses, selling and research and development expenses. For the year ended December 31, 2021, the Group's adjusted net profit (adjusted by adding back or deducting the following items: share-based compensation expenses and listing expenses) was approximately RMB58.8 million, representing a decrease of approximately 25.6% compared to the corresponding period of 2020, which was mainly due to (i) the increase in the research and development investment and operation cost for improving the quality of video-based PGC and promoting new business; and (ii) affected by the "chip shortage" in the automotive industry, the marketing budget of automobile manufacturers decreased, resulting in a slower growth rate of advertising revenue.

Set out below are the important milestones of the Group's businesses for the year ended December 31, 2021:

(1) The Group further consolidated its leading market position in the automobile advertising industry in China

During the year ended December 31, 2021, the Company continued to optimize and improve its automobile new media content matrix. The Company is able to publish contents across platforms throughout the whole internet by one click through Picker, an independently-developed vertical cloud service system of the Group. Meanwhile, the Company put more investment in short-form video content creation and operation in 2021 to enhance the overall effectiveness and industry competitiveness of online advertising services.

(2) The Group's SaaS realized continuous development

During the year ended December 31, 2021, the Group made certain improvement on the technology business sector, including organizational restructuring, product development and function upgrading. At present, the Group has three SaaS products, including Yixiao (易效平台), Cheshibao (車市寶) and Haomaiche (好賣車). Based on the combination of cloud management platform, big data and artificial intelligent core algorithm, the Group aims to provide the automobile industry with all-around, digitalized cross-platform marketing solutions through its SaaS services.

(3) The Group's Mobility Business achieved a breakthrough

The Group intended to establish the largest government-enterprise mobility business platform in China. During the year ended December 31, 2021, the Group made important progress by establishing cooperative relationships with two automobile companies, namely, "Geely Automobile" and "Shanghai GM". The Group has started the sales of new energy vehicles, including "Dongfeng", "Buick Velite" and "WM" to car rental companies, which provided further services to government, central state-owned enterprises, colleges and universities and other enterprises and institutions.

(4) The Group established strategic cooperation with ICBC

The Group established a strategic cooperation relationship and entered into a cooperation agreement with ICBC in April 2021 for the provision of all-around automobile information and data services.

(5) The Group established strategic cooperation with Auto 360 (360汽車頻道)

In November 2021, the Group established strategic cooperation with Auto 360 (360汽車頻道) to explore innovative business models in, among others, content technology, full-chain empowerment of automobile companies and internet of vehicles (IoV) security.

(6) The Group established strategic cooperation with Huafeng Meteorological Media Group ("Huafeng Group")

In December 2021, the Group entered into a strategic cooperation agreement with Huafeng Group, a subsidiary of China Meteorological Administration. The cooperation focuses on mobility, particularly big transportation and big energy, to provide users with personalized and customized mobility service and seek business innovation in the aspects of meteorological resources, media resources and user data resources. Huafeng Group is directly owned by China Meteorological Administration and a leading state-owned meteorological service enterprise owning various superior media resources, including China Weather.com (中國天氣網), China China Weather app (中國天氣通) and China Weather TV (中國天氣頻道), providing services to over 70 billion persons.

OUTLOOK

Throughout 2022, the Company intends to continue to build on its future business plans and strategies. Such development initiatives include:

(1) Solidifying the Group's market position in the automobile vertical media advertising industry

The Group plans to enhance the quality and quantity of its PGC, improve brand awareness and deepen the collaboration with KOLs, strengthen the collaboration with its business partners and expand its geographical coverage and user base in tier three and lower cities, improve the quality of content services and influence in the industry and speed up the commercialization of content service.

(2) Stepping up efforts in the Group's technology research and development and further enhancing IT systems, products development and SaaS services

The Group plans to optimize the Picker engine, enhance IT systems infrastructure by installing new computer servers, improve its SaaS services and develop new and efficient technological products and tools which could help automobile manufacturers and dealers during research and development as well as marketing, and provide them with targeted and precise one-stop marketing and after-sales services.

(3) Selectively pursuing strategic alliance, investment and acquisition opportunities

The Company plans to evaluate and selectively pursue strategic alliance, investment and acquisition opportunities to complement its existing services and strategies. Its criteria for identifying suitable targets, including PGC producers, we-media advertising platforms and enterprises in automobile technology sector and new energy sector, are the following: (i) the services and core technologies provided can create synergy with the Group's business; (ii) it owns considerable user traffic; and (iii) it has a sound and stable financial condition.

(4) Actively expanding commercial presence in the automobile industrial internet

The Group plans to provide multi-dimensional business and technology empowerment to enterprises in the automobile industry chain through model innovation and business optimization. Adhering to the development strategy of digitalization, collaboration and intelligentization, the Group will establish an efficient industrial collaboration network and full-chain service ecosystem in the form of an internet platform for the automobile industry, and promote industrial upgrading and higher efficiency by adopting an innovative model in automobile leasing, centralized procurement and supply chain finance, etc.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the management members and staff of the Group for their hard work in the past year. I would also like to give my sincere gratitude to our Shareholders, partners and stakeholders for their continued support, and hope to receive their continued support in the future.

Xu Chong
Chairman and Chief Executive Officer
Beijing, the PRC, March 28, 2022

Management Discussion and Analysis

FINANCIAL REVIEW

During the Reporting Period, the Group's total revenue was approximately RMB197.2 million, representing an increase of approximately RMB16.8 million, or approximately 9.3%, from approximately RMB180.4 million for the year ended December 31, 2020. The increase in revenue was mainly due to (i) the increase of the SaaS Services contributing to revenue growth of approximately RMB6.9 million for the year ended December 31, 2021; and (ii) the increase of the Mobility Business contributing to revenue growth of approximately RMB10.7 million for the year ended December 31, 2021; such increase was partially offset by the decrease in revenue from the Transaction Facilitation Services by approximately RMB0.8 million or approximately 56.8% from RMB1.4 million for the year ended December 31, 2020 to approximately RMB0.6 million for the year ended December 31, 2021. The decrease in revenue from the Transaction Facilitation Services was mainly due to the fact that offline activities were restricted due to the pandemic.

The table below sets forth a breakdown of revenue by our business segments, shown in actual amounts and as percentage to total revenue for the periods indicated:

	Year ended December 31,				
	2021		2020		year-on-year
	RMB'000	%	RMB'000	%	% change
Online Advertising Services	**178,905**	**90.8**	178,957	99.2	0.0
Transaction Facilitation Services	**625**	**0.3**	1,447	0.8	-56.8
SaaS Services	**6,922**	**3.5**	–	–	–
Mobility Business					
– Sales of Automobiles	**10,733**	**5.4**	–	–	–
Total	**197,185**	**100.0**	180,404	100.0	9.3

Cost of providing services

During the Reporting Period, the Group's cost of principal operations increased by approximately RMB22.9 million or 81.7% to approximately RMB50.8 million (for the year ended December 31, 2020: approximately RMB27.9 million). The increase in cost of principal operations was due to (i) more staff costs and increased investment in video-based PGC to improve the advertising effect and industry competitiveness; and (ii) the development of new business pushed up the overall cost.

Gross profit and gross profit margin

As a result of the above, gross profit decreased by approximately RMB6.1 million or approximately 4.0% from approximately RMB152.5 million for the year ended December 31, 2020 to approximately RMB146.4 million for the year ended December 31, 2021. Gross profit margin decreased from approximately 84.5% for the year ended December 31, 2020 to approximately 74.2% for the year ended December 31, 2021. The decrease in gross profit margin was due to (i) the increase in cost of investment in video-based PGC; and (ii) the increase in procurement costs driven by the commencement of the mobility business.

Other income

Other income of the Group increased by approximately RMB12.7 million or approximately 392.3% from approximately RMB3.2 million for the year ended December 31, 2020 to approximately RMB15.9 million for the year ended December 31, 2021 which is comprised of (i) government grant obtained from the Chaoyang People's Government of the PRC due to the successful Listing of the Company; and (ii) consultancy income which represents the advisory services in relation to merger and acquisition provided to independent third parties.

Other gains, net

The Group recorded other gains of approximately RMB7.9 million during the Reporting Period (for the year ended December 31, 2020: other gains of approximately RMB0.8 million) which was mainly attributable to the fair value gains recorded by the Group's financial assets at fair value.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB51.4 million, representing an increase of approximately RMB17.2 million, or approximately 50.5%, from approximately RMB34.2 million for the year ended December 31, 2020, mainly due to (i) the increase in sales persons needed to promote the development of the Group's new businesses; and (ii) the increase in marketing expenses incurred by the advertising business.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB47.8 million, representing an increase of approximately RMB13.0 million, or approximately 37.2%, from approximately RMB34.8 million for the year ended December 31, 2020, mainly due to the increase in equity incentive expenses.

Research and development expenses

During the Reporting Period, the Group's research and development expenses amounted to approximately RMB17.8 million, representing an increase of approximately RMB7.3 million or approximately 69.7% from approximately RMB10.5 million for the year ended December 31, 2020, mainly due to the increased investment in the research and development of SaaS products and the iterative upgrade of existing technology products.

Finance costs

During the Reporting Period, the Group's finance costs were approximately RMB0.8 million, representing an increase of approximately RMB0.3 million or 70.2% from approximately RMB0.5 million for the year ended December 31, 2020, mainly due to the increase in interest expense.

Income Tax expense

During the Reporting Period, the Group's income tax expense amounted to approximately RMB11.9 million, representing a decrease of RMB1.9 million, or 13.2%, from approximately RMB13.8 million for the year ended December 31, 2020. The decrease was mainly due to the decrease in operating profit compared with the corresponding period last year.

Profit for the year

During the Reporting Period, profit attributable to owners of the Company was RMB40.8 million (for the year ended December 31, 2020: approximately RMB64.6 million) representing a decrease of approximately RMB23.8 million, or 36.6% as compared with the year ended December 31, 2020 due to the increase in equity incentive expenses, selling and research and development expenses.

Other Financial Information (Non-IFRS measures): Adjusted net profit

To supplement the Group's consolidated results which are prepared and presented in accordance with International Financial Reporting Standards (the "**IFRS**"), the Company utilized non-IFRS adjusted net profit ("**Adjusted Net Profit**") as an additional financial measure. Adjusted Net Profit is defined as profit for the year, as adjusted by adding back or excluding (i) share-based compensation expenses, (ii) listing expenses, and (iii) fair value gain on convertible redeemable preference shares.

Adjusted Net Profit is not required by, or presented in accordance with, IFRS. The Company believes that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management regarding financial and business trends in relation to their financial condition and results of operations, by eliminating any potential impact of items that the Group's management does not consider to be indicative of the Group's operating performance. The Company also believes that the non-IFRS measures are appropriate for evaluating the Group's operating performance. However, the use of this particular non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, the Group's results of operations or financial conditions as reported under IFRS. In addition, this non-IFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures used by other companies.

The following tables set forth reconciliations of the Group's non-IFRS measures for the years ended December 31, 2021 and 2020 to the nearest measures prepared in accordance with IFRS.

	For the year ended December 31,				
	2021	% of total revenue	2020	% of total revenue	year-on-year % change
	RMB'000	%	RMB'000	%	%
Profit for the year	**40,833**	**20.7**	64,641	35.8	(36.8)
Add back/(exclude):					
Share-based compensation expenses	**14,694**	**7.5**	6,108	3.4	140.6
Listing expenses	**3,289**	**1.7**	8,986	5.0	(63.4)
Fair value gain on convertible redeemable preference shares	**–**	**–**	(636)	(0.4)	–
Non-IFRS measure adjusted net profit	**58,816**	**29.8**	79,099	43.8	(25.6)

Liquidity and financial resources and capital structure

As at December 31, 2021, the Group had current assets of RMB499.2 million (December 31, 2020: RMB311.1 million), representing an increase of approximately RMB188.1 million or 60.5%, mainly due to the increase in cash and cash equivalents arising from the initial public offering. The Group had current liabilities of RMB63.2 million (December 31, 2020: RMB134.3 million), representing a decrease of approximately RMB71.1 million or 52.9%, mainly due to (i) the conversion of convertible redeemable preference shares into equity assets; and (ii) the decrease in dividend payable and listing expense payables. The current ratio was 7.9 at December 31, 2021 as compared with 2.3 at December 31, 2020. The Company would have sufficient funds to finance its operations for the next 12-month period, having taken into account its operating cash flow and net proceeds raised from the Global Offering.

As of December 31, 2021, the Group's cash and cash equivalents amounted to approximately RMB328.7 million which is mainly funded from the net cash flows generated from operating activities (e.g. collection of accounts receivables) and redemption of the wealth management and IPO proceeds. As at December 31, 2021, the Group did not have bank borrowings (December 31, 2020: Nil). The Group monitors and maintains cash and cash equivalents to a level that management believes to be sufficient to meet the Group's operating needs.

The Shares have been listed on the Stock Exchange since the Listing Date. There has been no change in the capital structure of the Company since the Listing Date. The capital of the Company comprises ordinary shares.

Capital expenditure

The Group's capital expenditures mainly included property, plant and equipment, right-of use assets and intangible assets. Capital expenditures for the year ended December 31, 2021 and 2020 are set out below:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Property, plant and equipment and right-of-use assets	**1,390**	2,018
Intangible assets	**284**	189

Foreign Exchange Risk and Hedging

Foreign currency risk and hedging foreign currency risk refer to the risk of loss resulting from changes in foreign currency exchange rates. The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. The fund raised by the Group is currently denominated in HK dollars and classified as cash and cash equivalents. The Group will closely monitor the situation and take particular measures when necessary to ensure that foreign currency risk is under control.

During the Reporting Period, the Group neither took part in any derivatives activities nor entered into any hedging activities in respect of foreign exchange risk.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies. Substantial amounts of the Group's cash and cash equivalent are held in major financial institutions located in the PRC. The Group seeks to maintain strict control over its outstanding receivables and the senior management of the Company reviews and assesses the creditworthiness of the Group's existing customers on an ongoing basis. To manage liquidity risk, the Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations. Cash and cash equivalents of the Group are mainly denominated in RMB.

Pledge of Assets

As of December 31, 2021, the Group did not pledge any assets as collateral for bank borrowings or any other financing activities (December 31, 2020: Nil).

Significant Investment and Material Event During the Reporting Period

Establishment and subscription of fund

On May 12, 2021, Beihai Congshu Advertising Media Company Limited (北海樅樹廣告傳媒有限公司) (a wholly-owned subsidiary of the Company, as general partner) ("**Beihai Congshu**") and Congshu Beijing Technology Company Limited (樅樹(北京)科技有限公司) (a wholly-owned subsidiary of the Company, as limited partner) ("**Congshu Beijing**") have entered into a partnership agreement (the "Partnership Agreement") with Gongqingcheng Taoyuan Investment Management Co., Ltd.* (共青城韜遠投資管理有限公司) (now known as Shanghai Xintong Boda Private Equity Fund Management Co., Ltd.* (上海新曈博達私募基金管理有限公司)) (as general partner) ("**Taoyuan Investment**" being the registered trademark of Taoyuan Investment) in relation to the establishment of a partnership fund with a proposed total investment amount of RMB1 billion (the "**Weinet Fund**"), to serve as a capital platform for joint investment, integration of upstream and downstream resources in the industry chain and diversification of mergers and acquisitions. The Weinet Fund is launched by Xintong Capital* (新曈資本) ("**Xintong Capital**" being the registered trademark of Taoyuan Investment) and the Company with a focus on investing into forward-looking projects in automobile, new consumption and digital new media industries which include industrial internet, smart auto technology, auto services, new consumption, content technology and other fields. Xintong Capital mainly participates in growth stage projects in the internet sector and is led by the head of strategic investment department of Sina Weibo, Mr. Liu Yunli, and other individuals with years of experience in private equity investment. The initial registered capital of the Weinet Fund is RMB51 million. Pursuant to the Partnership Agreement, Taoyuan Investment, Beihai Media and Congshu Beijing have agreed to contribute RMB1 million, RMB1 million and RMB49 million, respectively, representing approximately 2.0%, 2.0% and 96.0%, respectively, of the initial registered capital of the Weinet Fund.

On October 13, 2021, Weinet Fund (as limited partner), Wang Yuanshu (a natural person as limited partner) and Taoyuan Investment (as general partner) entered into a partnership agreement in respect of Gongqingcheng Ruibo Equity Investment Partnership (L.P.)* (共青城鋭博股權投資合夥企業(有限合夥)) (the "**Ruibo Fund**"), pursuant to which Weinet Fund agreed to subscribe for the limited partnership interests in the Ruibo Fund, for a capital commitment of RMB30 million, representing 59.99% of the registered capital of the Ruibo Fund as at December 31, 2021. Such fund is managed by Taoyuan Investment with a view to make equity or quasi-equity investment into private equity projects.

For details, please refer to the announcements of the Company dated May 12, 2021, October 13, 2021 and November 16, 2021.

For the year ended December 31, 2021, the Group has the following significant investment:

	Percentage of interest held %	Investment costs RMB'000	Fair value as at January 1, 2021 RMB'000	Gains recognized in other gains* RMB'000	Fair value as at December 31, 2021 RMB'000
Ruibo Fund	**58.79**	**30,000**	–	8,935	38,935

* includes unrealised gains recognised in profit or loss attributable to balances held as at December 31, 2021 and 2020.

As at December 31, 2021, the carrying amount of the Group's unlisted investment funds was RMB38,935,000, representing approximately 6.95% of the Company's total assets. For details of fair value of the Group's unlisted investment funds, please refer to note 3.3.3 to the consolidated financial statements of this annual report.

Change of name and stock short code

On August 19, 2021, the official registered English name of the Company has changed from "Cheshi Holdings Limited" to "Cheshi Technology Inc.", and the Chinese name of "車市科技有限公司" has been adopted as the dual foreign name of the Company. On September 23, 2021, the stock short name of the Company for trading in the Shares on the Stock Exchange was changed from "CHESHI" to "CHESHI TECH" in English and "車市科技" was adopted in Chinese. For details, please refer to the announcements of the Company dated July 6, 2021, August 16, 2021 and September 17, 2021 and the circular of the Company dated July 29, 2021.

Subsequently, the Company has adopted a new logo with effect from March 28, 2022. For details, please refer to the section headed "Event Subsequent to the Reporting Period" in this annual report.

Save as disclosed above, for the year ended December 31, 2021 and up to date of this annual report, there was no important event affecting the Group.

Contingent Liabilities

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

Employees and Remuneration Policies

As of December 31, 2021, we had 172 full-time employees, most of whom were based in China. The number of employees employed by the Group may change from time to time as required and employee emoluments are determined with reference to market conditions and the performance, qualifications and experience of individual employees.

We have established effective employee performance evaluations system and employee incentive schemes to correlate the remuneration of our employees with their overall performance and contribution to the business operation results, and have established a merit-based remuneration awards system. On September 30, 2021, the Company has adopted a post-IPO restricted share unit scheme (the "**Post-IPO RSU Scheme**"), pursuant to which a scheme custodian will purchase Shares out of a contributed amount settled or contributed by the Company and such Shares will be held on trust in accordance with the term of the Post-IPO RSU Scheme. The purpose of the Post-IPO RSU Scheme is to drive performance within the Group by focusing on core key performance indicators that align with the Group's overall performance, to engage, attract and retain skilled and experienced personnel, and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company. For details, please refer to the announcement of the Company dated September 30, 2021. For details, please refer to the announcement of the Company dated September 30, 2021. In addition, the Company had adopted a pre-IPO restricted share unit scheme and a restricted share award scheme on June 25, 2019. Employees are promoted not only in terms of position and seniority, but also in terms of professional qualifications.

Directors and Senior Management

Below are the brief profiles of our current Directors and senior management.

The Board currently comprises seven Directors, of which four are executive Directors and three are independent non-executive Directors.

DIRECTORS

Executive Directors

Mr. Xu Chong (徐翀), aged 39, is the co-founder, an executive Director, the Chairman and the chief executive officer of the Company. Mr. Xu is primarily responsible for formulating strategy, planning, business development and supervising the overall management of the Group.

Prior to joining our Group, he worked at various companies that operated Cheshi.com, including Beijing Tianxindao Technology Development Co., Ltd. (北京天信道科技發展有限公司) ("**Beijing Tianxindao**"), the initial operator of Cheshi.com, as its editor-in-chief between July 2003 and June 2006, Beijing Tianxinyi Technology Development Co., Ltd. (北京天信易科技發展有限公司) ("**Beijing Tianxinyi**") as its editor-in-chief between July 2006 and January 2008, Beijing Zhide Diankang Electronic Commerce Co., Ltd. (北京智德典康電子商務有限公司) ("**Zhide Diankang**") as editor-in-chief between February 2008 and January 2009 and CNet (Beijing) Information Technology Co., Ltd. (塞納德(北京)信息技術有限公司) as editor-in-chief from February 2009 to January 2012. Mr. Xu founded Netcom Agency in January 2012 and served as its executive director from January 2012 to October 2017. Mr. Xu founded our Group on September 28, 2015. He is a director, chief executive officer and general manager of the Company.

Mr. Xu graduated from the Advanced Technical Institute of the Northern Jiaotong University (北方交通大學) (currently known as Beijing Jiaotong University (北京交通大學)) in the PRC in July 2003 and he completed a part-time program and obtained a postgraduate diploma in integrated marketing communications in October 2007 from the School of Professional and Continuing Education of The University of Hong Kong in Hong Kong.

Mr. Liu Lei (劉磊), aged 47, is an executive Director and president of the Company. He is primarily responsible for formulating marketing strategy and business development of our Group, and he currently supervises the daily business operations of our Group.

Prior to joining our Group, Mr. Liu served as a sales representative of Taiwan Supao Beverage Co., Ltd. (台灣舒跑飲料有限公司) between July 1995 and July 1998. He then served as a deputy general manager of Hong Kong Communications Co., Ltd. (香港通訊有限公司) between August 1998 and September 2002. Mr. Liu was the automotive channel director of Guangzhou Interactive Information Network Co., Ltd. (廣州市交互式信息網絡有限公司) between September 2002 and September 2005. He served as the sales director of Century Dragon Information Network Co., Ltd. (世紀龍信息網絡有限責任公司) between October 2005 and May 2009. Mr. Liu served as the senior director of Shanghai Tudou Network Technology Co., Ltd. (上海全土豆網絡科技有限公司) between May 2009 and September 2012. He later served as the vice president of sales of Netcom Agency between October 2012 and October 2015.

Mr. Liu graduated from Anda Technical Institute (安達技工學校) in the PRC in July 1995.

Mr. Zhu Boyang (朱博揚), aged 36, is an executive Director, joint company secretary and chief financial officer of the Company. He is primarily responsible for the financial management, investors relations and capital operations of our Group.

Prior to joining our Group, Mr. Zhu served as an analyst of China International Capital Corporation Limited between August 2008 and August 2012. He worked in Hony Capital Limited between April 2014 and September 2018 and his last position was vice president of Hony Capital Limited. He joined our Group as the chief financial officer on September 13, 2018.

Mr. Zhu obtained a double bachelor's degree in economics and arts from Beijing Foreign Studies University (北京外國語大學) in the PRC in July 2008. He obtained a master's degree in business administration from The Hong Kong University of Science and Technology in Hong Kong in June 2014.

Mr. Lin Yuqi (林渝奇), aged 35, is an executive Director and chief technological officer of the Group. He is primarily responsible for leading our research and development team.

Mr. Lin has over 11 years of experience in the Internet industry. Before joining our Group in 2016, Mr. Lin began his career as an engineer in CNet (Beijing) Information Technology Co., Ltd. (塞納德（北京）科技有限公司) from 2010 to 2012. He then joined Juzhong Netcom (Beijing) Technology Co., Ltd. (聚眾網通（北京）科技有限公司) in 2012 and served as director of the technology department until 2016.

Mr. Lin graduated from the Beijing Science, Technology and Management College in computer networking in August 2009.

Independent Non-executive Directors

Mr. Xu Xiangyang (徐向陽), aged 56, is an independent non-executive Director. Mr. Xu Xiangyang is responsible for providing independent advice to our Board.

Mr. Xu Xiangyang has over 31 years of experience in the automotive engineering industry. He worked at Harbin Institute of Technology (哈爾濱工業大學) between June 1990 and September 2002, and his last position was a professor and the head of the science and technology department of Harbin Institute of Technology (Weihai) (哈爾濱工業大學（威海）). Mr. Xu Xiangyang has been a professor of Beihang University (北京航空航天大學) since September 2002, and is currently the professor of its automotive engineering department of the school of transportation science and engineering. In April 2013, Mr. Xu Xiangyang was appointed as an executive deputy director of the National Automatic Transmission Engineering Technology Research Center for Passenger Vehicles (國家乘用車自動變速器工程技術研究中心) and in September 2013, Mr. Xu Xiangyang was named as a "Taishan Scholars Distinguished Expert" (泰山學者特聘專家) by the People's Government of Shandong Province (山東省人民政府). One of Mr. Xu's projects was awarded "First Class National Science and Technology Progress Award" (國家科學技術進步一等獎) in December 2016 by the State Council of the PRC (中華人民共和國國務院). Mr. Xu Xiangyang was also awarded the "National Innovative Progress Award" (全國創新爭先獎狀) in May 2017 granted jointly by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部), the China Association for Science and Technology (中國科學技術協會), the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部) and the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會). In April 2018, he was awarded the "2017 Beijing Higher Education Teaching Achievement Award (Second Class)" (2017年北京市高等教育教學成果獎二等獎) granted by the People's Government of Beijing Municipality (北京市人民政府). Since December 2019, Mr. Xu has been appointed as an independent director of Shanghai Sinotec Co., Ltd. (上海華培動力科技（集團）股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603121). Since March 2021, Mr. Xu has been appointed an independent non-executive director of BAIC Motor Corporation Limited (北京汽車股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1958).

Mr. Xu Xiangyang obtained his bachelor's degree and master's degree in engineering majoring in vehicle engineering from Beijing Institute of Technology (北京理工大學) (formerly known as Beijing Industrial Institute (北京工業學院)) in the PRC in July 1987 and March 1990, respectively. He obtained his doctorate degree in mechanical electronic engineering from Harbin Institute of Technology (哈爾濱工業大學) in the PRC in December 1999.

Mr. Li Ming (李明), aged 38, is an independent non-executive Director. Mr. Li Ming is responsible for providing independent advice to our Board.

Mr. Li has over 15 years of experience in the technology, media and telecommunications industry. Mr. Li worked at Baidu Online Network Technology (Beijing) Co., Ltd. (百度在線網絡技術(北京)有限公司) between March 2006 and July 2008. He worked at Beijing Unlimited Xunqi Information Technology Co., Ltd. (北京無限訊奇信息技術有限公司) between November 2008 and December 2011. Mr. Li was a joint founder of Beijing Rainbow Century Information Technology Co., Ltd. (北京彩虹世紀信息技術有限公司), a PRC company established in October 2011 and has been its executive director, manager and legal person until it was voluntarily wound up in November 2016. Mr. Li worked in Beijing Legend Star Investment Management Co., Ltd. (北京聯想之星投資管理有限公司) between June 2012 and October 2018, and his last position was a partner of Beijing Legend Star Investment Management Co., Ltd.. Mr. Li served as an executive director of CAS Capital Management Co., Ltd. (中科院資本管理有限公司) from April 2019 to December 2021. Mr. Li has served as a managing director of Shanghai Wanxin Rongzhi Private Equity Fund Management Co., Ltd. (上海萬信融智私募基金管理有限公司) since December 2021.

Mr. Li obtained a bachelor's degree in engineering majoring in computer science and technology from Northeastern University (東北大學) in China in July 2006.

Mr. Ng Jack Ho Wan (吳浩雲) (alias Ng Jacky) (formerly known as Ng Ho Wan), aged 45, is an independent non-executive Director. Mr. Ng Jack Ho Wan is responsible for providing independent advice to our Board.

Mr. Ng has over 24 years of experience in accounting, auditing, asset management and fund management. He worked in PricewaterhouseCoopers LLP in Canada as senior associate from September 1997 to February 2001. Mr. Ng then worked in KPMG in Hong Kong from March 2001 to October 2012 and was a partner in KPMG in Hong Kong from July 2008 to October 2012. Mr. Ng has been the managing director of Jack H.W. Ng CPA Limited since June 2013. Mr. Ng has been appointed as an independent non-executive director of HM International Holdings Limited, a company listed on the GEM Board of the Stock Exchange (stock code: 08416) with effect from December 15, 2016. Mr. Ng served as an independent non-executive director of Zhejiang Cangnan Instrument Group Company Limited, a company listed on the Stock Exchange (stock code: 01743) from June 2018 to July 2021.

Mr. Ng graduated from Simon Fraser University in Canada with a bachelor's degree in business administration in May 2000. Mr. Ng has been a fellow of the Hong Kong Institute of Certified Public Accountants since May 2010 and also a chartered accountant in British Columbia, Canada since February 2001. Mr. Ng was granted the designation of financial risk manager by the Global Association of Risk Professionals and certified as an information systems auditor by ISACA in November 2004 and January 2007, respectively. In September 2007, Mr. Ng was certified as chartered financial analyst by the Chartered Financial Analyst Institute. Mr. Ng was awarded with a specialist certificate in asset management by the Hong Kong Securities and Investment Institute (previously known as the Hong Kong Securities Institute) in February 2005.

Save as disclosed above, none of the above Directors held any other directorships in any listed public companies in the past three years.

SENIOR MANAGEMENT

Mr. Zhu Zhongqi (朱中奇), aged 49, is the chief operating officer of the Company. He is primarily responsible for the in-depth content report and marketing and sales support of the Group.

Mr. Zhu Zhongqi has over 21 years of experience in the automobile and media industries. Prior to joining our Group, Mr. Zhu was the chief journalist of the economic news center of Nanfang Metropolis Daily (南方都市報) from March 2003 to September 2006, then the chief journalist of the automobile news department of Nanfang Metropolis Daily from September 2006 to September 2011, and the executive head of the Automobile Research Institute of Nanfang Metropolis Daily from September 2011 to May 2014. Mr. Zhu was the deputy general manager of Guangzhou Yudao Culture Development Co., Ltd. (廣州御道文化發展有限公司) from February 2012 to April 2014, the chief editor of the content center of Nandu Automobile Business Center (南都汽車事業中心) from April 2014 to April 2015, and then the chief content officer of Nandu Automobile Platform (南都汽車平台) from February 2015 to February 2016. He joined our Group as senior vice president in February 2016 to fully manage the business of our Group's South China branch.

Mr. Zhu Zhongqi obtained his master's degree from School of Journalism and Communication of Wuhan University in June 2000.

Ms. Suo Yan (索研), aged 50, is the senior vice president of our Company. She is primarily responsible for expansion of mobility business of our Group.

Ms. Suo has over 26 years of experience in the automobile and media industries. Prior to joining our Group, Ms. Suo was a journalist of Xinhua News Agency (新華通訊社) between July 1994 and February 2001 where she was primarily responsible for reporting domestic economic news. She served as the head of public relations of Shanghai Shenhua Holdings Co., Ltd. (上海申華控股股份有限公司) (previously known as Shanghai Huachen Group Co., Ltd. (上海華晨集團股份有限公司)), a company listed on the Shanghai Stock Exchange (stock code: 600653) between March 2001 and March 2004. Ms. Suo was a deputy general manager of Beijing Hanlun International Management Consultancy Co., Ltd. (北京漢侖國際管理顧問有限公司) between March 2006 and July 2010. Ms. Suo was the deputy director of the marketing department of China Automobile Trading Co., Ltd. (中國進口汽車貿易有限公司) between August 2010 and February 2012 and she served as the deputy director of the board of directors' office of Sinomach Automobile Co., Ltd. (國機汽車股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600335) between February 2012 and February 2016. Ms. Suo served as the vice president of Netcom Agency between March 2016 and May 2016 where she was responsible for the overall daily management of the legal, compliance and human resources aspects of Netcom Agency. She was an executive Director from May 2019 to March 2021. She has also been the legal representative and a director of Beijing Hange International Culture Media Co., Ltd. (北京漢格國際文化傳媒有限公司) since January 2006. She joined our Group as a senior vice president of Congshu Beijing on June 1, 2016. She is currently the supervisor of Congshu Internet and Beihai Media, and an executive director and general manager of Beihai April. From April 2021, she has served as the chairman of Zhonganxin Zhixing (Beijing) Technology Co., Ltd. (中安信智行（北京）科技有限公司), responsible for the development of mobility business.

One of Ms. Suo's articles was awarded the "Outstanding News Works Award" (優秀新聞作品獎) by the Beijing Female Journalist Association (首都女新聞工作者協會) in January 1999 and one of her articles was awarded Second Class Award of the 10th China News Award (第十屆中國新聞獎) by the All-China Journalists Association (中華全國新聞工作者協會) in July 2000.

Ms. Suo obtained a bachelor's degree in journalism from the department of journalism and communication of Lanzhou University (蘭州大學) in the PRC in June 1994. She completed her part time postgraduate course in political economics at the Graduate School of Renmin University of China (中國人民大學研究生院) in the PRC in September 2001.

For biographical information about Mr. Xu, Mr. Zhu Boyang, Mr. Liu Lei and Mr. Lin Yuqi (who form part of our Senior Management), see the section headed "Executive Directors" above.

Joint Company Secretaries

Mr. Zhu Boyang (朱博揚), is the joint company secretary of the Company. Please refer to "Executive Directors" in this section for details of his biography.

Ms. Leung Shui Bing (梁瑞冰), is the joint company secretary of our Company. Ms. Leung is a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider). She has over 15 years of experience in the company secretarial field. Ms. Leung obtained a bachelor's degree in Business and Management Studies (Accounting and Finance) from University of Bradford, and a master's degree in Corporate Governance from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong). She is a Chartered Secretary, a Chartered Governance Professional and an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

CHANGES IN DIRECTORS

Changes in Directors

- With effect from March 29, 2021, Ms. Suo Yan has resigned as an executive Director and a member of the Remuneration Committee due to internal staffing arrangements of the Company but remains as the Company's senior vice president; and

- With effect from March 29, 2021, Mr. Lin Yuqi has been appointed as an executive Director, a member of the Remuneration Committee and the Company's chief technological officer.

Directors' Report

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended December 31, 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group operates online automobile vertical media platforms in China that offer comprehensive and high quality automobile content produced by their in-house content team and distributed across their proprietary, comprising our PC websites, mobile websites and mobile applications, and over 1,000 business partner platforms. Analysis of the principal activities of the Group during the year ended December 31, 2021 is set out in the note 30 to the consolidated financial statements of this annual report. An analysis of the Group's revenue and operating profit for the year ended December 31, 2021 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

RESULTS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated statement of comprehensive income on pages 61 to 62 of this annual report.

FINAL DIVIDEND

The Company did not recommend any payment of dividends for the year ended December 31, 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, May 12, 2022 to Tuesday, May 17, 2022, both days inclusive, in order to determine the identity of the shareholders of the Company who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. Wednesday, May 11, 2022.

BUSINESS REVIEW

The business review and performance analysis of the Group for the year ended December 31, 2021 is set out in the section headed "Chairman's Statement" from pages 4 to 8 and "Management Discussion and Analysis" from pages 9 to 14 of this annual report. A description of the Group's future business development is set out in the section headed "Chairman's Statement" from pages 7 to 8 of this annual report.

Compliance with Laws and Regulations

The Group is subject to various PRC laws and regulations in relation to its business operations in the PRC, including, without limitation, in the aspects of value-added telecommunication services, regulations on advertising, regulations on radio and television programs, regulations on transmission of audio-visual programs and regulations on internet information security and privacy protection.

For the year ended December 31, 2021, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material aspects.

Environmental Policies and Performance

The Group understands the importance of environmental protection. There was no non-compliance with relevant laws and regulations in terms of business, including health and safety, factory conditions, employment and environment. The Group has implemented environmental protection measures and has encouraged employees to pay attention to environmental protection at work and consume electricity and paper according to actual needs to reduce energy consumption and minimize unnecessary waste.

Principal Risks and Uncertainties

We face various risks involved in our daily business operations, including risks that are specific to the online automobile advertising industry and the trends and development of the automobile industry and regulatory landscape in the PRC. For more details on our principal risks, please refer to the sections headed "Risk Factors" in the Prospectus.

FINANCIAL SUMMARY FOR THE PAST FIVE YEARS

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 3 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS

Use of Proceeds from the Listing

The Company issued 204,000,000 Shares at HK$1.23 which were listed on the Main Board of the Stock Exchange on the Listing Date and issued 30,600,000 Shares at HK$1.23 upon the full exercise of the over-allotment option. The market price of the Shares as of January 26, 2021, the date of the full exercise of the over-allotment option, was HK$1.42 per Share. The nominal value of the Share is US$0.0001 per Share. The net proceeds from the Listing (after deducting the underwriting fees and related cost and expenses) amounted to approximately HK$246.8 million. The net price to the Company (which was calculated by dividing the net proceeds by the number of shares issued in connection with the Listing of the Shares) was approximately HK$1.05. As at December 31, 2021, the details of utilization of net proceeds from the Listing are set out as follows:

Item	Approximate % of total net proceeds	Net proceeds from the Listing (HK$ million)	Utilised as at December 31, 2021 (HK$ million)	Unutilised as at December 31, 2021 (HK$ million)	Expected timeline of full utilisation of the unutilised proceeds
Solidify the Company's market position and quantity of PGC *(Note 1)*	39.8	98.2	**25.5**	**72.7**	By the end of 2023
Strengthen research and development and IT system and develop and promote new products *(Note 2)*	36.1	89.1	**30.2**	**58.9**	By the end of 2023
Future investments and acquisitions *(Note 3)*	14.1	34.8	**11.6**	**23.2**	By the end of 2023
Working capital	10.0	24.7	**8.2**	**16.5**	By the end of 2023
Total	**100.0**	**246.8**	**75.5**	**171.3**	

Notes:

(1) To solidify the Company's market position and quantity of PGC through the following measures: (i) enhancing quality and quantity of the Company's PGC; (ii) strengthening collaboration with business partners with content distribution focus and coverage in tier three and below cities and enhance our brand awareness in first tier cities; and (iii) capturing new customers and business opportunities.

(2) To strengthen research and development and IT system and develop and promote new products through the following measures: (i) optimizing the Picker engine of the Company; (ii) enhancing existing IT systems and infrastructures of the Company by installing new computer servers; and (iii) developing new products, including Vehicle Owner Service (車主服務), Cheshi Hao (車市號), Cheshi Mall (車市商城) and Cheshi VR (車市 Virtual Reality).

(3) To make future investments and acquisitions by investing in target companies meeting the following conditions (including PGC producers and we-media advertising companies): (i) with capability to produce content with good quality and quantity that can supplement and enrich PGC, such as daily vehicle usage and maintenance, new energy vehicles and used vehicles; (ii) having good user traffic; and (iii) in sound and stable financial condition. The Company also considers to invest in companies which provide technology and service solutions that the Company believes can generate synergy with the Transaction Facilitation Services.

As at December 31, 2021, the Group has unutilised net proceeds of approximately HK$171.3 million from the Listing. The unutilised net proceeds are placed in licensed banks in Hong Kong. The Group will use the remaining net proceedings progressively in the way described in the Prospectus, depending on actual business needs and to exhaust the remaining balance by the end of 2023. There is no change to the intended use of proceeds as disclosed in the Prospectus.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2021, revenue from the Group's five largest customers contributed approximately 30.1% (2020: 35.6%) of the Group's total revenue while our largest customer contributed approximately 8.4% (2020: 10.2%) of the Group's total revenue during the year.

Major Suppliers

For the year ended December 31, 2021, purchases from our five largest suppliers contributed approximately 34.9% (2020: 32.6%) of the Group's total cost of procurement while our largest supplier contributed approximately 16.2% (2020: 10.2%) of the Group's cost of procurement during the year.

For the year ended December 31, 2021, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of the issued shares of the Company) was interested in the top five customers or suppliers of the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate its employees. The Company has established effective employee performance evaluations system and employee incentive schemes to correlate the remuneration of the Group's employees with their overall performance and contribution to the business operation results, and have established a merit-based remuneration awards system.

The Group also understands that it is important to maintain good relationship with its customers and suppliers to fulfil its immediate and long-term goals. To maintain its competitiveness, the Group aims at delivering quality services to its customers. During the year, there was no material and significant dispute between the Group and its customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and the Group for the year ended December 31, 2021 are set out in note 16 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended December 31, 2021 are set out in note 23 to the consolidated financial statements of this annual report.

RESERVES

Details of the movements in the reserves of the Company and the for the year ended December 31, 2021 are set out in note 23 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company's reserves available for distribution, is approximately RMB236 million (as at December 31, 2020: Nil).

TAXATION

Tax position of the Company during the year ended December 31, 2021 is set forth in note 13 to the consolidated financial statements of this annual report.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

BANK LOANS

As at December 31, 2021, the Group did not have any bank borrowings (December 31, 2020: Nil).

DIRECTORS

The Directors during the period for the year ended December 31, 2021 and up to the date of this annual report are as follows:

Executive Directors:
Mr. Xu Chong *(Chairman of the Board and chief executive officer)*
Mr. Liu Lei
Mr. Zhu Boyang
Mr. Lin Yuqi *(appointed on March 29, 2021)*
Ms. Suo Yan *(resigned on March 29, 2021)*

Independent Non-executive Directors:
Mr. Xu Xiangyang
Mr. Li Ming
Mr. Ng Jack Ho Wan

In accordance with the Articles of Association, all the Directors are subject to retirement by rotation at least once every three years. Any new Director appointed by the Board (i) to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company following his appointment and shall be subject to re-election at such meeting; and (ii) as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

Accordingly, Mr. Xu Xiangyang, Mr. Li Ming and Mr. Ng Jack Ho Wan shall retire by rotation at the AGM and they being eligible, offer themselves for re-election at the forthcoming AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 15 to 20 of this annual report.

CHANGES TO DIRECTORS' INFORMATION

Mr. Liu Lei has been appointed as the president of the Company and ceased as the chief operating officer of the Company with effect from May 25, 2021.

Mr. Xu Xiangyang has been appointed an an independent non-executive director of BAIC Motor Corporation Limited (北京汽車股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1958) with effect from March 24, 2021.

Mr. Li Ming has been appointed as a managing director of Shanghai Wanxin Rongzhi Private Equity Fund Management Co., Ltd. (上海萬信融智私募基金管理有限公司) since December 2021. Mr. Li was resigned as an executive director of CAS Capital Management Co., Ltd. (中科院資本管理有限公司) in December 2021.

Mr. Ng Jack Ho Wan has resigned as an independent non-executive director of Zhejiang Cangnan Instrument Group Company (浙江蒼南儀錶集團股份有限公司), a company listed on the Stock Exchange (stock code: 1958) with effect from 5 July 2021.

Save as disclosed herein, there is no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) under Rule 13.51(2) of the Listing Rules.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors are independent during the year ended December 31, 2021.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENTS

Each of Mr. Xu Chong, Mr. Liu Lei and Mr. Zhu Boyang, the executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and shall continue thereafter until it is terminated by either party by giving at least three months' prior notice in writing or otherwise in accordance with the terms and conditions of the service contract.

Mr. Lin Yuqi, an executive Director, has entered into a service contract with the Company for an initial term of three years commencing from March 29, 2021 and shall continue thereafter until it is terminated by either party by giving at least three months' prior notice in writing or otherwise in accordance with the terms and conditions of the service contract.

Each of the independent non-executive Directors, namely, Mr. Xu Xiangyang, Mr. Li Ming and Mr. Ng Jack Ho Wan, has entered into a letter of appointment with the Company for an initial term of three year commencing from the Listing Date and shall be automatically renewed thereafter unless terminated by either party by giving at least three month's prior notice in writing or otherwise in accordance with the terms and conditions of the letter of appointment.

Save as disclosed above, none of the Directors has entered into, or has proposed to enter into, a service contract or letter of appointment with the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed herein, none of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries or Consolidated Affiliated Entities and controlling shareholder or any of its subsidiaries was a party during the year ended December 31, 2021.

COMPETING BUSINESS

As far as the Company is aware, none of the Directors had any interests in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, during the year ended December 31, 2021.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters and the Contractual Arrangements, 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 for the year ended December 31, 2021.

EMOLUMENT POLICY

A remuneration committee of the Company was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices. The Group regularly reviews its compensation and benefit polices to ensure that the remuneration package offered remains competitive and in line with referent labour regulations.

Details of the emoluments of the Directors, and the five highest paid individuals for the year ended December 31, 2021 are set out in note 8 to the consolidated financial statements of this annual report.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

The Group's employees in Hong Kong have all participated in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries and Consolidated Affiliated Entities are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2021, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

(i) Interests in the Shares and underlying Shares

Name of Director/ Chief executive	Capacity/Nature of Interest	Number of Shares held/interested[1]	Approximate percentage of shareholding[2]
Directors			
Mr. Xu[3]	Interest in controlled corporation	802,500,000 (L)	65.00%
Mr. Liu Lei	Beneficial interest[4]	20,000,000 (L)	1.62%
Mr. Lin Yuqi	Beneficial interest[4]	10,000,000 (L)	0.81%
Chief executive			
Ms. Suo Yan	Beneficial interest[4]	20,000,000 (L)	1.62%

Notes:

1. The letter "L" denotes the person's long position in the relevant Shares or underlying Shares.

2. There were 1,234,600,000 Shares in issue as at December 31, 2021.

3. Mr. Xu beneficially owns 100% of the issued shares of X Technology. Mr. Xu is deemed, or taken to be, interested in 802,500,000 Shares held by X Technology for the purpose of the SFO.

4. Mr. Liu Lei, Mr. Lin Yuqi and Ms. Suo Yan were granted restricted share awards under the SA Scheme. They are deemed to be interested in the issued share capital of our Company for the restricted share awards that have been granted to them pursuant to Part XV of the SFO.

(ii) Interests in the shares of the associated corporation

Name of Director	Associated corporation	Capacity/Nature of Interest	Approximate amount of contribution to registered capital/ no. of share held	Approximate percentage of shareholding in the associated corporation
Mr. Xu	Congshu Beijing	Nominee shareholder whose shareholders' rights are subject to contractual arrangements	RMB35,750,000	95.00%
	X Technology	Beneficial Owner	1 share	100.00%

Save as disclosed above, as at December 31, 2021, none of the Directors or the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them. Neither the Company nor any of its subsidiaries was a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the year ended December 31, 2021.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2021, to the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares/ underlying Shares held/interested[(1)]	Approximate percentage of shareholding[(2)]
X Technology[(3)]	Beneficial owner	802,500,000 (L)	65.00%
Ms. Ma Yuanyuan[(4)]	Interest of spouse	802,500,000 (L)	65.00%
The Core Trust Company Limited[(5)]	Trustee of a trust	80,000,000 (L)	6.48%
TCT (BVI) Limited[(5)]	Nominee for another person	80,000,000 (L)	6.48%

Notes:

1. The letter "L" denotes the person's long position in the relevant Shares or underlying Shares.
2. There were 1,234,600,000 Shares in issue as at December 31, 2021.
3. Mr. Xu beneficially owns 100% of the issued shares of X Technology. Mr. Xu is deemed, or taken to be, interested in 802,500,000 Shares held by X Technology for the purpose of the SFO.
4. Ms. Ma Yuanyuan is spouse of Mr. Xu. Ms. Ma Yuanyuan is deemed to be interested in all the Shares that Mr. Xu is interested in pursuant to the SFO.
5. The Core Trust Company Limited, as a trustee, initially holds 80,000,000 shares in aggregate on trust under the SA Scheme and the RSU Scheme through SA Nominee and RSU Nominee. Each of the SA Nominee and RSU Nominee is directly wholly-owned by TCT (BVI) Limited, which is in turn indirect wholly-owned by The Core Trust Company Limited.

Save as disclosed above, as at December 31, 2021, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares 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 required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

RSU Scheme and SA Scheme

The Group has adopted the RSU Scheme and the SA Scheme on June 25, 2019. The purpose of the RSU Scheme and the SA Scheme is to incentivise Directors, senior management and employees for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company.

As at December 31, 2021, the Board has granted 80,000,000 restricted share awards (representing 80,000,000 underlying shares of the Company) to certain of the executive Directors and selected employees of the Group, and 2,170,000 RSUs (representing 2,170,000 underlying Shares) under the RSU Scheme to selected employees of the Group. On February 4, 2021, SA Nominee transferred 20,000,000 Shares to one of the executive directors; Save as disclosed herein, as at December 31, 2021, all Shares underlying the restricted share awards and the RSUs are held by the SA Nominee and the RSU Nominee, respectively and none of the restricted share awards and RSUs have been exercised by the grantees.

The Post-IPO RSU Scheme

On September 30, 2021, the Company has adopted the Post-IPO RSU Scheme, pursuant to which a scheme custodian will purchase Shares out of a contributed amount settled or contributed by the Company and such Shares will be held on trust in accordance with the term of the Post-IPO RSU Scheme. The purpose of the Post-IPO RSU Scheme is to drive performance within the Group by focusing on core key performance indicators that align with the Group's overall performance, to engage, attract and retain skilled and experienced personnel, and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company. For details, please refer to the announcement of the Company dated September 30, 2021.

The above RSU Scheme, SA Scheme and the Post-IPO RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme, the SA Scheme and the Post-IPO RSU Scheme do not involve the grant of options by the Company to subscribe for new Shares. Since the Listing Date, the Company did not have any such share option schemes.

EQUITY-LINKED AGREEMENT

Save as disclosed in the sections headed "RSU Scheme and SA Scheme" and "The Post-IPO RSU Scheme" above, there was no equity-linked agreement entered into by the Company or any of its subsidiaries during the period ended December 31, 2021 and up to the date of this annual report.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES

In September 2021, the Company appointed Kastle Limited as the scheme custodian (the "**Custodian**") under the Post-IPO RSU Scheme to purchase shares to be held by trust for the future grant of restricted share unit pursuant to the terms and conditions of the Post-IPO RSU Scheme. The purchase of share was approved by the Board. During October to December 2021, 33,780,000 Shares were purchased on the Stock Exchange and subscribed by the Custodian with an average price of HK$0.7 per Share which amounted to an aggregate price of HK$24,659,000 (equivalent to approximately RMB19,977,000 as at 31 December 2021). No restricted share unit was granted as at December 31, 2021 and up to the date of this annual report.

Save as disclosed hereinabove, for the year ended December 31, 2021, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

RELATED PARTY TRANSACTION

On September 10, 2021, Congshu Internet, an indirect wholly-owned subsidiary of the Company, and Beijing Congshu Management Consulting Center* 北京樅樹管理諮詢中心 ("**Beijing Congshu**") entered into a shareholder loan agreement with ZAXZX, pursuant to which Congshu Internet and Congshu Management agreed to provide a shareholder loan in an aggregate principal amount of RMB26 million, of which RMB13.26 million will be provided by Congshu Internet and RMB12.74 million will be provided by Congshu Management in proportion to their equity interest in ZAXZX. The provision of such shareholder loan is fully exempt from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.89 of the Listing Rules. Details of the related party transaction undertaken by the Group are set out in notes 31 and 35 to the consolidated financial statements of this annual report.

PRE-EMPTIVE RIGHTS

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

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

On December 11, 2001, the State Council promulgated the Regulations on the Administration of Foreign-Invested Telecommunications Enterprises (2016 Revision) 《外商投資電信企業管理規定》(2016修訂) (the "**FITE Regulations**"), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services.

In addition, a foreign investor who invests in the value-added telecommunications services in the PRC must possess prior experience in operating the value-added telecommunications services and a proven track record of business operations overseas (the "**Qualification Requirements**"). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. Therefore, in order for the Company to be able to carry on its business in the PRC, the Group has entered into the Contractual Arrangements to enable the Company to exercise and maintain control over operations of the Consolidated Affiliated Entities and to consolidate these companies' financial results into the Company's results under IFRSs as if they are wholly-owned subsidiaries of the Company. Please refer to the section headed "Contractual Arrangements" of the Prospectus for details.

Up to the date of this annual report, there is no further update in relation to the Qualification Requirement.

Contractual arrangements overview

1. Details of operating company and Registered Shareholders

Operating company: Congshu Beijing

Congshu Beijing is a company established in the PRC with limited liability. Registered Shareholders of Congshu Beijing are Mr. Xu and Mr. Li.

2. Description of the operating company's business

Congshu Beijing is the principal operating subsidiary of our Group and is primarily engaged in the provision of online advertising services, including the provision of automobile-related advertising services, the publication of automobile-related articles and the production of video commercials in the PRC.

3. Summary of terms of contractual arrangements

The Contractual Arrangements which were in place as at the date of this annual report are as follows:

(1) The exclusive technical service agreement dated May 15, 2019, pursuant to which Congshu Internet has the exclusive right to provide, or designate any third party to provide Congshu Beijing with technical and management consulting services.

(2) The exclusive option agreement dated May 15, 2019, pursuant to which the Registered Shareholders unconditionally and irrevocably agree to grant Congshu Internet an exclusive option to purchase all or part of the equity interests in Congshu Beijing, as the case may be, for the minimum amount of consideration permitted by applicable PRC laws, under circumstances in which Congshu Internet or its designated third party is permitted under PRC laws to acquire all or part of the equity interests of Congshu Beijing.

(3) The equity pledge agreements dated May 15, 2019, pursuant to which the Registered Shareholders unconditionally and irrevocably pledged all of the equity interests in Congshu Beijing to Congshu Internet in order to guarantee Congshu Beijing and our Registered Shareholders' performance of obligations under the exclusive technical service agreement, exclusive option agreement and shareholders' rights proxy agreement (as defined below).

(4) The shareholders' right proxy agreement dated May 15, 2019, pursuant to which the Registered Shareholders irrevocably appointed Congshu Internet or its designated person, as their attorney-in-fact to exercise certain shareholder's rights in Congshu Beijing.

(5) The spousal undertakings signed by each of the Registered Shareholders to the effect that (i) the shares of Congshu Beijing held and to be held by each of the Registered Shareholders (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she has no right to or control over such interests of the respective Registered Shareholder and will not have any claim on such interests of the respective Registered Shareholder and the Contractual Arrangements.

The Company confirms that it has complied with the relevant requirements of Chapter 14A of the Listing Rules in relation to all connected transactions and continuing connected transactions to which the Company was a party during the year ended December 31, 2021.

Risks associated with the Contractual Arrangements

For risks associated with the Contractual Arrangements, please see the section headed "Risk Factors – Risks Relating to our Corporate Structure" in the Prospectus for details.

Material change in relation to the Contractual Arrangements

For the year ended December 31, 2021 and up to the date of this annual report, there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

Unwinding the Contractual Arrangements

The Company will unwind the Contractual Arrangements as soon as the laws allows the business of the Operating Company and the Consolidated Affiliated Entities to be operated without the Contractual Arrangements.

However, during the period from the Listing Date up to the date of this annual report, none of the Contractual Arrangements had been unwound as none of the restrictions that led to the adoption of the Contractual Arrangements had been removed.

Waiver from the Stock Exchange

The Stock Exchange has granted a waiver to the Company from strict compliance with the connected transactions requirements under Chapter 14A of the Listing Rules in respect of the Contractual Arrangements. For details, please refer to the section "Connected Transactions" in the Prospectus.

Confirmation from independent non-executive Directors

In accordance with Rule 14A.55 of the Listing Rules, for the year ended December 31, 2021, the independent non-executive Directors have reviewed the Contractual Arrangements and are of the view that the Contractual Arrangements and the transactions contemplated therein have been entered into in the Group's ordinary and usual course of business, on normal commercial terms or better, the terms under the Contractual Arrangements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conclusion of the Company's Independent Auditor

In accordance with Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised)"Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 32 to 34 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DONATIONS

For the year ended December 31, 2021, the Group made charitable and other donations of nil (2020: Nil).

MATERIAL LEGAL PROCEEDINGS

For the year ended December 31, 2021, the Company was not involved in any material legal proceeding or arbitration. To the best knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatened against the Company.

PERMITTED INDEMNITY PROVISIONS

Under the Articles of Association, every director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office; be indemnified and secured harmless out of the assets of the Company; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty.

The Company has arranged appropriate insurance cover in respect of legal action against its directors and officers.

SIGNIFICANT INVESTMENT AND MATERIAL EVENT DURING THE REPORTING PERIOD

Establishment and subscription of fund

On May 12, 2021, Beihai Congshu Advertising Media Company Limited (北海樅樹廣告傳媒有限公司) (a wholly-owned subsidiary of the Company, as general partner) ("**Beihai Congshu**") and Congshu Beijing Technology Company Limited (樅樹(北京)科技有限公司) (a wholly-owned subsidiary of the Company, as limited partner) ("**Congshu Beijing**") have entered into a partnership agreement (the "Partnership Agreement") with Gongqingcheng Taoyuan Investment Management Co., Ltd.* (共青城韜遠投資管理有限公司) (as general partner) ("**Taoyuan Investment**" being the registered trademark of Taoyuan Investment) in relation to the establishment of a partnership fund with a proposed total investment amount of RMB1 billion (the "**Weinet Fund**"), to serve as a capital platform for joint investment, integration of upstream and downstream resources in the industry chain and diversification of mergers and acquisitions. The Weinet Fund is launched by Xintong Capital* (新瞳資本) ("**Xintong Capital**" being the registered trademark of Taoyuan Investment) and the Company with a focus on investing into forward-looking projects in automobile, new consumption and digital new media industries which include industrial internet, smart auto technology, auto services, new consumption, content technology and other fields. Xintong Capital mainly participates in growth stage projects in the internet sector and is led by the head of strategic investment department of Sina Weibo, Mr. Liu Yunli, and other individuals with years of experience in private equity investment. The initial registered capital of the Weinet Fund is RMB51 million. Pursuant to the Partnership Agreement, Taoyuan Investment, Beihai Media and Congshu Beijing have agreed to contribute RMB1 million, RMB1 million and RMB49 million, respectively, representing approximately 2.0%, 2.0% and 96.0%, respectively, of the initial registered capital of the Weinet Fund.

On October 13, 2021, Weinet Fund (as limited partner), Wang Yuanshu (a natural person as limited partner) and Taoyuan Investment (as general partner) entered into a partnership agreement in respect of Gongqingcheng Ruibo Equity Investment Partnership (L.P.)* (共青城銳博股權投資合夥企業(有限合夥)) (the "**Ruibo Fund**"), pursuant to which Weinet Fund agreed to subscribe for the limited partnership interests in the Ruibo Fund, for a capital commitment of RMB30 million, representing 59.99% of the registered capital of the Ruibo Fund as at December 31, 2021. Such fund is managed by Taoyuan Investment with a view to make equity or quasi-equity investment into private equity projects.

For details, please refer to the announcements of the Company dated May 12, 2021, October 13, 2021 and November 16, 2021.

For the year ended December 31, 2021, the Group has the following significant investment:

	Percentage of interest held %	Investment costs RMB'000	Fair value as at January 1, 2021 RMB'000	Gains recognized in other gains* RMB'000	Fair value as at December 31, 2021 RMB'000
Ruibo Fund	58.79	30,000	–	8,935	38,935

* includes unrealised gains recognised in profit or loss attributable to balances held as at December 31, 2021 and 2020.

As at December 31, 2021, the carrying amount of the Group's unlisted investment funds was RMB38,935,000, representing approximately 6.95% of the Company's total assets. For details of fair value of the Group's unlisted investment funds, please refer to note 3.3.3 to the consolidated financial statements of this annual report.

Save as mentioned above, the Group did not hold any material investments, and there was no material acquisition or disposal of its subsidiaries, associates or joint ventures during the Reporting Period.

Change of name and stock short code

On August 19, 2021, the official registered English name of the Company has changed from "Cheshi Holdings Limited" to "Cheshi Technology Inc.", and the Chinese name of "車市科技有限公司" has been adopted as the dual foreign name of the Company. On September 23, 2021, the stock short name of the Company for trading in the Shares on the Stock Exchange was changed from "CHESHI" to "CHESHI TECH" in English and "車市科技" was adopted in Chinese. For details, please refer to the announcements of the Company dated July 6, 2021, August 16, 2021 and September 17, 2021 and the circular of the Company dated July 29, 2021.

Subsequently, the Company has adopted a new logo with effect from March 28, 2022. For details, please refer to the section headed "Event Subsequent to the Reporting Period" in this annual report.

Save as disclosed above, for the year ended December 31, 2021 and up to date of this annual report, there was no important event affecting the Group.

EVENT SUBSEQUENT TO THE REPORTING PERIOD

Following the change of English name of the Company from "Cheshi Holdings Limited" to "Cheshi Technology Inc." and the adoption of Chinese name of "車市科技有限公司" on August 19, 2021, with effect from March 28, 2022, the Company has adopted a new logo as follow.

车市科技
CHESHI TECH

Following the outbreak of COVID-19, its variant "Omicron" has developed severely in early 2022. The Group will pay close attention to the development of the outbreak and evaluate its impact on the financial position and operating results of the Group in 2022. Pending development of such subsequent non-adjusting event, the Group's financial results for the year ending December 31, 2022 may be affected, the extend of which could not be estimated as at the date of this annual report.

Save as disclosed above, the Group is not aware of any significant events after the year ended December 31, 2021 and up to the date of this annual report.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**"), which comprises three independent non-executive Directors, namely, Mr. Ng Jack Ho Wan (Chairman), Mr. Xu Xiangyang and Mr. Li Ming. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and the Stock Exchange).

The Audit Committee has reviewed the applicable accounting principles, standards and practices adopted by the Group as well as the consolidated financial statements of the Group for the year ended December 31, 2021 and the disclosure in this annual report.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the period from the Listing Date to December 31, 2021 and up to the date of this announcement, the Company has complied with all applicable code provisions under the CG Code and adopted most of the best practices set out therein except for the deviation from code provision C.2.1.

Code provision C.2.1 stipulates that the roles of Chairman and chief executive should be separated and should not be performed by the same individual. The role of Chairman and chief executive officer are both performed by Mr. Xu Chong. Given that Mr. Xu is one of our founders who had provided strategic guidance and leadership throughout the development of the Group's business, our Board believes that vesting the roles of both chairman and chief executive officer in Mr. Xu has the benefit of ensuring consistent leadership within our Group, and providing more effective and efficient overall strategic planning and management oversight for our Group. The Board considers that Mr. Xu's dual role at this stage is conducive to maintaining the continuity of the Company's policies and the operation efficiency and stability of the Company, which is appropriate and in the best interest of the Company.

The Directors will review the corporate governance policies and compliance with the CG Code each financial year and apply the "comply or explain" principle in the corporate governance report which is included in this annual report.

The Directors have a balanced mix of experience and industry background, including but not limited to experience in the corporate finance, marketing, human resources, business advisory and accounting industries. The three independent non-executive Directors who have different industry backgrounds, represent more than one-third of the Board members.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% (being the minimum public float prescribed by the Stock Exchange and the Listing Rules) of the Company's entire issued share capital were held by the public at any time for the year ended December 31, 2021 and up to the date of this annual report.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the forthcoming AGM of the Company and, and being eligible, offer themselves for reappointment.

By order of the Board
Xu Chong
Chairman and Chief Executive Officer

Beijing, the PRC, March 28, 2022

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Save as the deviations from code provision C.2.1 of the CG Code as disclosed in this annual report, the Company has complied with all applicable code provisions under the CG Code for the year ended December 31, 2021 to the date of this annual report.

The Directors will review the corporate governance policies and compliance with the CG Code and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company each financial year and apply the "comply or explain" principle in the corporate governance report which is included in this annual report.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee, the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (collectively, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged appropriate insurance cover in respect of liability arising from legal action against its Directors.

Board Composition

As at the date of this annual report, the Board comprised four executive Directors and three independent non-executive Directors as set out below:

Executive Directors:
Mr. Xu Chong *(Chairman and chief executive officer)*
Mr. Liu Lei
Mr. Zhu Boyang
Mr. Lin Yuqi *(appointed on March 29, 2021)*
Ms. Suo Yan *(resigned on March 29, 2021)*

Independent Non-executive Directors:
Mr. Xu Xiangyang
Mr. Li Ming
Mr. Ng Jack Ho Wan

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

During the period for the year ended December 31, 2021 to the date of this annual report, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

During the period for the year ended December 31, 2021 to the date of this annual report, the Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

Save as disclosed in the biographies of the Directors as set out in the section headed "Directors and Senior Management" of this annual report, none of the Directors or senior management has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or senior management or any chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the code provision under the CG Code requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

Board Diversity Policy

We have adopted the Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity on our Board. The Board Diversity Policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our Group's business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant Listing Rules and the code provision(s) governing board diversity under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. After Listing, our Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

Measurable objectives of the Company are as follows: (1) candidates for appointment as directors will be considered from a wide range of individuals including cultural, educational background, professional and industry experience, skills, experience, knowledge, perspective and other contributions that may complement the current needs of the Board; and (2) to review whether the composition and structure of the Board of Directors are suitable for the Group's overall development strategy every year according to the Group's business operation and development needs, and propose an adjustment implementation plan.

The Company's target and timeline to achieve board diversity are set out as follow. When it is necessary to replace or add new directors, the nomination committee will identify and make recommendations to the Board according to the board diversity policy. The Board will also appoint suitable Directors according to the overall development of the Group and the board diversity policy. While the Board is of the view that the current composition and structure of the Board is in line with the current business development needs of the Group, and can provide the Company with various valuable suggestions and decision-making supervision, noting that the Board is currently composed of all male Directors, the Company will continue to evaluate the Board's diversity, objectively consider the composition and effectiveness of the Board.

Induction and Continuous Professional Development

Each newly appointed Directors would be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide the Directors with updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Pursuant to of the CG Code, all Directors will participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided the Directors with written training materials in relation to their roles, functions and duties.

In accordance with code provision C.1.4 of the CG Code, based on the information provided by the Directors, for the year ended December 31, 2021 and to the date of this annual report, a summary of training received by the Directors is as follows:

Name of Directors	Nature of Continuous Professional Development
Executive Directors	
Mr. Xu Chong	D
Mr. Liu Lei	D
Mr. Zhu Boyang	D
Mr. Lin Yuqi *(appointed on March 29, 2021)*	D
Ms. Suo Yan *(resigned on March 29, 2021)*	D
Independent Non-executive Directors	
Mr. Xu Xiangyang	D
Mr. Li Ming	D
Mr. Ng Jack Ho Wan	D

Notes:

A: attending seminars and/or conferences and/or forums and/or briefings

B: making speeches at seminars and/or conferences and/or forums

C: participating in training provided by law firms and that relating to the business of the Company

D: reading materials on various topics, including corporate governance matters, directors' duties and responsibilities, Listing Rules and other relevant laws

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The role of Chairman and chief executive officer are both performed by Mr. Xu. Given that Mr. Xu is one of the Group's founders who had provided strategic guidance and leadership throughout the development of its business, the Board believes that vesting the roles of both Chairman and chief executive officer in Mr. Xu has the benefit of ensuring consistent leadership within the Group, and providing more effective and efficient overall strategic planning and management oversight for the Group. The Board considers that Mr. Xu's dual role at this stage is conducive to maintaining the continuity of the Company's policies and the operation efficiency and stability of the Company, which is appropriate and in the best interest of the Company.

The Directors have a balanced mix of experience and industry background, including but not limited to experience in the corporate finance, marketing, human resources, business advisory and accounting industries. The three independent non-executive Directors who have different industry backgrounds, represent more than one-third of the Board members.

Appointment and Re-Election of Directors

Each of the executive Directors, namely Mr. Xu, Mr. Liu Lei and Mr. Zhu Boyang, has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and shall continue thereafter until it is terminated by either party by giving at least three months' prior notice in writing or otherwise in accordance with the terms and conditions of the service contract.

Mr. Lin Yuqi, an executive Director, has entered into a service contract with the Company for an initial term of three years commencing from March 29, 2021 and shall continue thereafter until it is terminated by either party by giving at least three months' prior notice in writing or otherwise in accordance with the terms and conditions of the service contract.

Each of the independent non-executive Directors, namely Mr. Xu Xiangyang, Mr. Li Ming and Mr. Ng Jack Ho Wan, has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date and shall be automatically renewed thereafter unless terminated by either party by giving at least three month's prior notice in writing or otherwise in accordance with the terms and conditions of the letter of appointment.

Save as disclosed above, none of the Directors has entered into, or has proposed to enter into, a service contract or letter of appointment with the Group which is not determinable by the Company within one year without payment if compensation other than statutory compensation.

In accordance with the Articles of Association, all the Directors are subject to retirement by rotation at least once every three years. Any new Director appointed by the Board (i) to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company following his appointment and shall be subject to re-election at such meeting; and (ii) as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

Accordingly, Mr. Xu Xiangyang, Mr. Li Ming and Mr. Ng Jack Ho Wan shall retire by rotation, and being eligible, have offered themselves for re-election at the forthcoming AGM.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, and for making recommendations to the Board on the appointment, re-appointment of Directors and succession plans for the Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying Board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the company secretary of the Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by the Directors.

For the year ended December 31, 2021, 9 Board meetings were held. The attendance of each Director at the Board meetings is set out below:

Name of Directors	Attended/Eligible to attend the Board meeting(s)
Executive Directors	
Mr. Xu Chong	9/9
Mr. Liu Lei	9/9
Mr. Zhu Boyang	9/9
Mr. Lin Yuqi *(appointed on March 29, 2021)*	8/8
Ms. Suo Yan *(resigned on March 29, 2021)*	2/2
Independent Non-executive Directors	
Mr. Xu Xiangyang	9/9
Mr. Li Ming	9/9
Mr. Ng Jack Ho Wan	9/9

General Meeting

Annual general meeting proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. The notice of annual general meeting is distributed to all shareholders at least 21 days' in writing prior to the annual general meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the annual general meeting exercises his power under the Articles of Association to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the beginning of the meeting. Poll voting results are posted on the Company's website on the day of the annual general meeting.

The forthcoming AGM will be held on Tuesday, May 17, 2022. The notice of the AGM will be sent to the Shareholders at least 21 days before the date of the AGM.

Model Code for Securities Transactions

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions since the Listing Date. Having made specific enquiry with the Directors, all of the Directors confirmed that he has complied with the required standards as set out in the Model Code during the period from the Listing Date to December 31, 2021 and up to the date of this annual report.

Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. The Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently pursuant to code provision C.5.6 of the CG Code.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

From the Listing Date and up to December 31, 2021, the Board confirms that it has:

(a) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

(b) reviewed and monitored the training and continuous professional development of the Directors and senior management;

(c) reviewed the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to the Group's employees and directors; and

(e) reviewed the Company's compliance with the CG Code and disclosures in the Corporate Governance Report.

BOARD COMMITTEES

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three members, namely Mr. Xu Xiangyang, Mr. Li Ming and Mr. Ng Jack Ho Wan being all independent non-executive Directors. The Audit Committee is chaired by Mr. Ng Jack Ho Wan.

The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management system of our Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board. The written terms of reference of Audit Committee are available on the websites of the Stock Exchange and the Company.

For the year ended December 31, 2021, 2 meetings of the Audit Committee was held. The attendance of each Audit Committee member is set out in the table below:

Name of Directors	Attended/ Eligible to attend
Mr. Ng Jack Ho Wan	2/2
Mr. Xu Xiangyang	2/2
Mr. Li Ming	2/2

The Audit Committee has reviewed the Company's audited consolidated results for the year ended December 31, 2020 and the unaudited consolidated results for the six months ended June 30, 2021 and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control, financial reporting and the re-appointment of the Auditor. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the Auditor.

NOMINATION COMMITTEE

The Nomination Committee was established by our Company with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee currently comprises three members, including one executive Director, namely, Mr. Xu, and two independent non-executive Directors, namely, Mr. Xu Xiangyang and Mr. Li Ming. The Nomination Committee is chaired by Mr. Xu.

The primary duties of the Nomination Committee are to review the structure, size and composition of our Board, assess the independence of independent non-executive Directors and make recommendations to our Board on the appointment and removal of our Directors and senior management, and the implementation of the Board diversity policy (the "**Board Diversity Policy**") of our Company. The Nomination Committee is also responsible for the implementation of our nomination policy.

Board Diversity

We have adopted the Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity on our Board. The Board Diversity Policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our Group's business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objective.

The Nomination Committee of the Company reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new directors of the Company. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of the Board.

In overseeing the conduct of the annual review and assessing the composition and effectiveness of the Board, the Nomination Committee considers the benefits of all aspects of diversity, including without limitation, those described above, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board. Factors to be taken into account include: gender, age, ethnicity, cultural and educational background, professional skills, experience, independence and knowledge. Due regard is to be given to the business model and specific needs of the Company.

In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board and the factors as described above. The recommendations of the Nomination Committee will then be submitted to the Board for decision. The written terms of reference of Nomination Committee are available on the websites of the Stock Exchange and the Company.

Nomination Policy

The Nomination Committee will select board members in accordance with the Company's nomination policy which includes selection criteria such as the character and integrity of the candidate, the candidate's qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy and will also give consideration to the Board Diversity Policy.

For the year ended December 31, 2021, 1 meeting of the Nomination Committee was held. The attendance of each Nomination Committee member is set out in the table below:

Name of Directors	Attended/ Eligible to attend
Mr. Xu Chong	1/1
Mr. Xu Xiangyang	1/1
Mr. Li Ming	1/1

The Nomination Committee has discussed and considered the nomination and appointment of Mr. Lin Yuqi to the Board as an executive Director, review the structure, size and composition of the Board and assessing the independence of independent non-executive Directors.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. As at the date of this annual report, the Remuneration Committee currently comprises three members, including one executive Director, namely Mr. Lin Yuqi and two independent non-executive Directors, namely, Mr. Xu Xiangyang and Mr. Ng Jack Ho Wan. The Remuneration Committee is chaired by Mr. Xu Xiangyang.

The primary duties of the Remuneration Committee are to determine the policy and make recommendations to our Board on the specific remuneration packages of all Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to our Board of the remuneration of independent non-executive Directors. The Remuneration Committee will also assess the performance of the Company's executive directors and approve the terms of their service contracts. The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

For the year ended December 31, 2021, 1 meeting of the Remuneration Committee was held. The attendance of each Remuneration Committee member is set out in the table below:

Name of Directors	Attended/ Eligible to attend
Mr. Xu Xiangyang	1/1
Mr. Lin Yuqi *(appointed on March 29, 2021)*	1/1
Mr. Ng Jack Ho Wan	1/1
Ms. Suo Yan *(resigned on March 29, 2021)*	1/1

The Remuneration Committee has discussed and considered the remuneration of Mr. Lin Yuqi as per his appointment to the Board as the executive Director, discussed and considered the remuneration packages of the Directors and senior management and making recommendations on and approving the remuneration policy and structure.

Remuneration of Directors and Senior Management

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out on pages 15 to 20 of this annual report, for the year ended December 31, 2021, are set out below:

Band of remuneration RMB	Number of individuals
RMB500,000-RMB1,000,000	2
RMB1,000,001-RMB2,000,000	1
RMB2,000,001-RMB7,000,000	–
RMB7,000,001-RMB15,000,000	1
	4

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2021 and to the date of this annual report which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company has provided all members of the Board with monthly updates on the Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern. The Directors have prepared the accounts on a going concern basis.

The external auditor's statement about reporting responsibility is set out on pages 54 to 60 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control and risk management systems in order to safeguard the Company's assets and its shareholders' interests and reviewing the effectiveness of the Company's internal control and risk management systems on an annual basis so as to ensure that internal control and risk management systems in place are adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Such internal control policies and procedures include the following:

- Code of Conduct. Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behavior;

- Internal Audit. Our internal audit function regularly monitors key controls and procedures in order to assure our management and Board that the internal control system is functioning as intended. The Audit Committee of our Board is responsible for supervising our internal audit function;

- Licensing. In accordance with our internal measures, our administrative team is assigned to ensure we have all necessary licenses for our business operation and to keep track of the licensing update and renewal;

- Publishing and distributing measures. The Company has implemented various quality assurance measures in relation to its photo publishing and content distributing activities; and

- Compliance with Listing Rules and relevant laws and regulations. The Company will continue to monitor its compliance with relevant laws and regulations and its senior management team will work closely with its employees to implement actions required to ensure its compliance with relevant laws and regulations. The Company will also continue to arrange various trainings to be provided by Hong Kong legal advisors to its Directors, senior management and employees on the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions and the handling of confidential and inside information. The Company's senior management, internal audit and the Audit Committee together monitor the implementation of its internal control system on an ongoing basis to ensure our policies and implementation are effective and sufficient.

Our risk management process starts with identifying the major risks that are associated with our corporate strategy, goals and business operation. We adopted risk management policies to access our risks in terms of their likelihood and potential impact, and then prioritize and pair each risk with a mitigation plan. We provide training to our employees and encourage an all-embracing culture of risk management ensuring that all employees are aware of and responsible for managing risks. Each of our operating departments is responsible for identifying and analyzing risks associated with its function. The Audit Committee of, and ultimately our Board supervises the implementation of our risk management policy at the corporate level by bringing together each operating department, such as development, quality control, sales, to collaborate on risk issues among different functions.

For the year ended December 31, 2021 and up to the date of this annual report, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group and considered the risk management and internal control systems to be effective and adequate. The review has been discussed by the Company's management and evaluated by the Audit Committee.

DIVIDEND POLICY

The Company has adopted a dividend policy on the declaration, payment and amount of dividends which will be subject to the Directors' discretion. The Group shall consider the factors before declaring or recommending dividends, including without limitation (a) the Company's actual and expected financial performance; (b) retained earnings and distributable reserves of the Company and each of the members of the Group; (c) the Group's working capital requirements, capital expenditure requirements and future expansion plans; (d) the Group's liquidity position; (e) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and (f) the Board may also consider other applicable factors to determine the declaration, payment and amount of dividends. The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of the Cayman Islands and the Company's constitutional documents. The Group will continually review our dividend policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditor to the Company for the year ended December 31, 2021 was approximately as follows:

Type of Services	Amount (HK$)
Audit services	2,798,000
Total	2,798,000

COMPANY SECRETARY

Mr. Zhu Boyang, one of the joint company secretaries, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engaged Ms. Leung Shui Bing, a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider), as another joint company secretary to assist Mr. Zhu in discharging his duties as company secretary of the Company. Ms. Leung's primary corporate contact person at the Company is Mr. Zhu.

For the year ended December 31, 2021, each of Mr. Zhu and Ms. Leung complies with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Company's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The AGM provides opportunity for the Shareholders to communicate directly with the Directors. The Chairman of the Company and the chairmen of the Board Committees of the Company will attend the AGMs to answer Shareholders' questions.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at www.cheshi.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as at date of deposit of the requisition not 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 joint company secretaries of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 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.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the Company's principal place of business in Hong Kong at 31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay, Hong Kong or contact the Company by telephone at +86 10 84533229 or email at ir@cheshi.com or candas.leung@tmf-group.com.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company has adopted the Articles of Association on December 8, 2020, which has been effective from the Listing Date. During the Reporting Period, the Articles of Association did not have any significant change. Should the Company propose to amend the Articles of Association, the proposed amendments and adoption of a new Articles of Associations would be subject to the approval of the Shareholders by way of special resolution at a general meeting, and prior to the passing of such special resolution at a general meeting, the existing Articles of Association shall remain valid.

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Cheshi Technology Inc.
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Cheshi Technology Inc. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 61 to 159, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are related to:

(1) revenue recognition of online advertising service; and

(2) valuation of level 3 unlisted investment fund recognised as financial assets at fair value through profit or loss.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of online advertising service Refer to Notes 2.19 and 6 to the consolidated financial statements. One of the revenue streams of the Group represents income from the provision of online advertising service sourced from the People's Republic of China (the" PRC"). Online advertising service income is recognised when the advertisements are published over the stated display period on its own online platform, other linked online portals, or mobile applications. The Group uses the output methods to measure the progress in recognising revenue based on direct measurements of the value transferred to the customers. The Group recognised revenue of approximately RMB178,905,000 from the provision of online advertising service during the year ended 31 December 2021. We focused on this area due to the magnitude of revenue amount and the significant volume of revenue transactions recorded in the operating systems which interfaced with the financial system.	Our procedures in relation to the revenue recognition of online advertising service included: We understood, evaluated and tested management's key controls and process in respect of revenue recognition. We obtained an understanding of the management's assessment process of revenue recognition and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. We evaluated the appropriateness of accounting policies on revenue recognition for the online advertising service and the appropriateness of related accounting estimates and judgments made.

Key Audit Matter	How our audit addressed the Key Audit Matter
	We, with the assistance of our internal specialists over information technology ("IT") system, understood and evaluated the relevant IT systems and the design, implementation and operating effectiveness of IT general control environment and key automated controls over the recognition of revenue. We tested the interface between the operating and financial systems and on a sample basis, compared the underlying data generated from the operating system to the financial system. We tested, on a sample basis, revenue transactions for the current year by tracing the revenue transactions to the supporting documents, including revenue receipts, underlying contracts, and checking the key terms and attributes from the contracts against the underlying data from the relevant IT systems. On a sample basis, we performed re-computation of revenue amount as stipulated in the customer contracts from the amount which was recorded by the Group based on output method. Based on the procedures described above, we considered the Group's revenue recognition of online advertising service was supported by the evidence obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of level 3 unlisted investment fund recognised as financial assets at fair value through profit or loss Refer to Notes 2.9, 3.3 and 21 of the consolidated financial statements The unlisted investment fund of the Group was recognised at fair value through profit or loss on initial recognition and require subsequent re-measurement at fair value at each reporting period. As at 31 December 2021, the fair value of the unlisted investment fund amounted to RMB38,935,000 was categorised as level 3 within the fair value hierarchy. The level 3 unlisted investment fund was measured based on adjusted net asset value. Management performed a fair value assessment of the fund's net asset value and its underlying investments with the assistance of an independent external valuer. The fair value assessment was conducted using valuation methods including discounted cash flows model, recent transaction approach and market approach. The key assumptions and estimates used in the valuation include discount rates, market data of the comparable companies, and probability of redemption of the investors' financial instruments on the underlying investments. We focus on the fair value of the level 3 unlisted investment fund because it involved significant unobservable inputs which involve significant management judgements and assumptions and thus involved a higher degree of uncertainty in the valuation.	Our procedures in relation to the valuation of level 3 unlisted investment fund recognised as financial assets at fair value through profit or loss included: We obtained an understanding of the management's internal control and assessment process of valuation of level 3 unlisted investment fund and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We assessed the competency, capability and objectivity of the independent external valuer engaged by management. We involved our internal valuation expert in our discussion with management and the independent external valuer to understand and assess the valuation methods based on industry practice and assumptions used. We evaluated the reasonableness of the discount rates applied in the discounted cash flows model by considering the underlying investments' risk profile and the corresponding market yield. We checked the market data of the comparable companies used by management to the calculation schedules provided by management. We discussed with management and evaluated the probability of redemption of the investors' financial instruments on the underlying investments based on the supporting documents provided by management. We checked the data input of the recent transactions to the supporting documents provided by management. Based on the procedures described above, we considered the key assumptions and estimates used in the valuation of the Group's level 3 unlisted investment fund are supportable by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the Cheshi Technology Inc. annual report (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including "Corporate Information", "Directors' Report", "Corporate Governance Report", "Management Discussion and Analysis", "Directors and Senior Management", "Chairman's Statement", "Financial Highlights" and "Definitions" prior to the date of this auditor's report. The remaining other information, including the "Environmental, Social and Governance Report" is expected to be made available to us after that date.

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.

When we read the "Environmental, Social and Governance Report", if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible 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. We report our opinion 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 ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.

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.

The engagement partner on the audit resulting in this independent auditor's report is Lam Hiu Yam, Winnie.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2022

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	6	197,185	180,404
Cost of sales	7	(50,782)	(27,943)
Gross profit		146,403	152,461
Other income	9	15,901	3,230
Other gains, net	10	7,907	812
Net (impairment loss)/reversal of impairment loss on financial assets	7	(235)	1,569
Selling and distribution expenses	7	(51,444)	(34,185)
Administrative expenses	7	(47,779)	(34,809)
Research and development expenses	7	(17,768)	(10,469)
Operating income		52,985	78,609
Finance income		617	269
Finance costs		(839)	(493)
Finance costs, net	11	(222)	(224)
Share of profit of an associate	12	–	6
Profit before income tax		52,763	78,391
Income tax expense	13	(11,930)	(13,750)
Profit for the year		40,833	64,641
Profit is attributable to:			
Owners of the Company		41,013	64,641
Non-controlling interests		(180)	–
		40,833	64,641
Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB per share)			
Basic	14	0.04	0.08
Diluted	14	0.04	0.07

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Profit for the year		40,833	64,641
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Fair value gain on financial asset at fair value through other comprehensive income	*34*	30	–
Other comprehensive income for the year, net of tax		40,863	64,641
Total comprehensive income for the year attributable to:			
Owners of the Company		41,043	64,641
Non-controlling interests		(180)	–
		40,863	64,641

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment and right-of-use assets	*16*	8,906	13,614
Intangible assets	*17*	10,048	10,836
Long-term deposits	*20*	1,600	1,597
Deferred tax assets	*27*	1,152	1,790
Financial assets at fair value through profit or loss	*21*	38,935	–
Financial asset at fair value through other comprehensive income	*34*	418	388
		61,059	28,225
Current assets			
Inventories		876	–
Prepayments, deposits and other receivables	*20*	25,241	22,547
Amounts due from shareholders	*31*	–	310
Contract assets	*6(c)*	2,207	669
Trade and bill receivables	*19*	119,644	127,078
Financial assets at fair value through profit or loss	*21*	21,153	133,083
Income tax recoverable		1,419	–
Cash and cash equivalents	*22*	328,675	27,382
		499,215	311,069
Total assets		560,274	339,294
EQUITY AND LIABILITIES			
Equity			
Share capital	*23(a)*	840	655
Share premium	*23(a)*	246,004	–
Treasury shares	*23(b)*	(20,032)	(69)
Reserves	*23(c)*	81,486	65,785
Retained earnings		172,038	132,002
Capital and reserves attributable to owners of the Company		480,336	198,373
Non-controlling interests		(322)	–
Total equity		480,014	198,373

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	*26*	1,848	6,587
Loan from a shareholder	*35*	12,974	–
Deferred tax liabilities	*27*	2,263	–
		17,085	6,587
Current liabilities			
Trade payables	*24*	1,270	3,032
Contract liabilities	*6(c)*	9,086	2,280
Accruals and other payables	*25*	33,221	54,517
Lease liabilities	*26*	5,070	5,484
Loan from a shareholder	*35*	2,160	–
Dividend payable		–	13,600
Income tax payable		12,368	7,680
Convertible redeemable preference shares	*32*	–	47,741
		63,175	134,334
Total liabilities		80,260	140,921
Total equity and liabilities		560,274	339,294

The consolidated financial statements on pages 61 to 159 were approved by the Board of Directors on 28 March 2022 and were signed on its behalf.

Xu Chong
Director

Zhu Boyang
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to the owners of the Company							
	Share capital RMB'000 (Note 23(a))	Share premium RMB'000 (Note 23 (a))	Treasury shares RMB'000 (Note 23(b))	Reserves RMB'000 (Note 23(c))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balances 1 January 2020	655	–	(69)	55,426	71,612	127,624	–	127,624
Comprehensive income								
Profit for the year	–	–	–	–	64,641	64,641	–	64,641
Transaction with owners								
Profit appropriations to statutory reserves	–	–	–	4,251	(4,251)	–	–	–
Employee share-based compensation scheme: – value of employee services (Note 33)	–	–	–	6,108	–	6,108	–	6,108
	–	–	–	10,359	(4,251)	6,108	–	6,108
Balances at 31 December 2020	655	–	(69)	65,785	132,002	198,373	–	198,373
Balances at 31 December 2020 and 1 January 2021	655	–	(69)	65,785	132,002	198,373	–	198,373
Comprehensive income								
Profit for the year	–	–	–	–	41,013	41,013	(180)	40,833
Other comprehensive income								
Fair value gain on financial asset at fair value through other comprehensive income	–	–	–	30	–	30	–	30
Transaction with owners								
Profit appropriations to statutory reserves	–	–	–	977	(977)	–	–	–
Employee share-based compensation scheme: – value of employee services (Note 33)	–	–	14	14,694	–	14,708	–	14,708
Issuance of ordinary shares upon initial public offering	153	240,998	–	–	–	241,151	–	241,151
Shares issuance costs	–	(42,703)	–	–	–	(42,703)	–	(42,703)
Issuance of ordinary shares on conversion of convertible redeemable preference shares	32	47,709	–	–	–	47,741	–	47,741
Acquisition of shares by the share scheme custodian during the year (Note 23 (b)(ii))	–	–	(19,977)	–	–	(19,977)	–	(19,977)
Non-controlling interests on acquisition of subsidiary (Note 30 (a))	–	–	–	–	–	–	(142)	(142)
	185	246,004	(19,963)	15,671	(977)	240,920	(142)	240,778
Balances at 31 December 2021	840	246,004	(20,032)	81,486	172,038	480,336	(322)	480,014

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	*28(a)*	50,926	66,768
Interest received		617	269
Income tax paid		(5,760)	(15,459)
Net cash generated from operating activities		45,783	51,578
Cash flows from investing activities			
Purchase of property, plant and equipment	*16*	(1,392)	(2,018)
Purchase of intangible assets	*17*	(284)	(189)
Purchase of financial assets at fair value through profit or loss		(108,517)	(278,422)
Proceeds from disposal of financial assets at fair value through profit or loss		192,499	189,859
Investment in an associate		–	(150)
Net cash generated from/(used in) investing activities		82,306	(90,920)
Cash flows from financing activities			
Issuance of share pursuant to the initial public offering	*23(a)(i)*	241,151	–
Transaction costs attributable to the initial public offering		(40,418)	(1,420)
Proceeds from loan from a shareholder	*35*	14,740	–
Repurchase of shares for employee share scheme	*23(b)(ii)*	(19,977)	–
Principle elements of lease liabilities	*28(b)*	(5,153)	(5,117)
Interest elements of lease liabilities	*28(b)*	(459)	(493)
Dividend paid	*15*	(13,600)	–
Net cash generated from/(used in) financing activities		176,284	(7,030)
Net increase/(decrease) in cash and cash equivalents		304,373	(46,372)
Cash and cash equivalents at the beginning of the year		27,382	76,670
Effect on exchange rate difference		(3,080)	(2,916)
Cash and cash equivalents at the end of the year	*22*	328,675	27,382

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 General information

The Company was incorporated in the Cayman Islands on 22 November 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Sertus Chambers, Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the automobile advertising service in the People's Republic of China (the "PRC") (the "Business"). The ultimate holding company of the Company is X Technology Group Inc. ("X Technology") (formerly known as "XC Group Limited"). The ultimate controlling party of the Group is Mr. Xu Chong ("Mr. Xu").

The Company was listed on 15 January 2021 on the Main Board of The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss ("FVTPL"), financial assets at fair value through other comprehensive income ("FVOCI") and convertible redeemable preference shares, which are measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards and revised conceptual framework adopted by the Group

The following amended standards and framework have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2021:

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

The adoption of the amended standards and framework did not have any material impact on the current year or any prior periods.

(b) New and amended standards that have been issued but are not yet effective during the year and have not been early adopted by the Group

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the consolidated financial statements.

Amendments to IFRS 16	Covid-19 Related Rent Concessions beyond 2021(1)
Annual Improvement Project (Amendments)	Annual Improvements to IFRSs 2018-2020(2)
Amendments to IFRS 3, IAS 16 and IAS 37	Narrow-scope amendments(2)
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations(2)
Amendments to IAS 1	Classification of Liabilities as Current or Non-current(3)
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies(3)
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction(3)
Amendments to IAS 8	Definition of Accounting Estimates(3)
IFRS 17	Insurance Contracts(3)
Amendments to IFRS 17	Amendments to IFRS 17(3)
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause(3)
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Venture(4)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New and amended standards that have been issued but are not yet effective during the year and have not been early adopted by the Group (continued)

(1) effective for accounting periods beginning on or after 1 April 2021

(2) effective for accounting periods beginning on or after 1 January 2022

(3) effective for accounting periods beginning on or after 1 January 2023

(4) no mandatory effective date is determined yet but early application is permitted

The Group will adopt the new and amended standards when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new and amended standards, none of which is expected to have a significant effect on the consolidated financial statements of the Group.

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statements of financial position, respectively.

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.1 Subsidiaries (continued)

(b) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.1 Subsidiaries (continued)

(b) *Business combination* (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(c) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.2.2 Associate

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.3 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

2.3 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in consolidated statements of comprehensive income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 Summary of significant accounting policies (continued)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is RMB. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency.

2.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income within "Other gains, net". Foreign exchange gains and losses that relate to financing related activities are presented in the consolidated statement of comprehensive income within "finance (costs)/income, net".

2.5.3 Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Computer and electric equipment	3 years
Office furniture and equipment	3 years
Leasehold improvements	Over the shorter of the lease terms or 3 years
Vehicle	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income.

Right-of-use assets included the rights to use certain properties under leases which are measured at cost. The initial costs of right-of-use assets include the following:

- the amount of the initial measurement of lease liability
- lease payments made at or before the commencement date
- initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

2 Summary of significant accounting policies (continued)

2.7 Intangible assets

2.7.1 Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2.7.2 Trademarks and domain names

Separately acquired trademarks and domain names are shown at historical cost. Trademarks and domain names acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation on the straight-line basis over the period of 10 years and impairment losses.

2.7.3 Customer relationships

Customer relationship acquired in a business combination is recognised at fair value at the acquisition date. The customer relationship has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line basis over the period of 3 years.

2.7.4 Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 3 years.

2 Summary of significant accounting policies (continued)

2.7 Intangible assets (continued)

2.7.5 Research and development expenditure

Research expenditure and development expenditure that do not meet the below criteria are recognised as an expense as incurred:

- it is technically feasible to complete the intangible asset so that it will be available for use
- management intends to complete the intangible asset and use or sell it
- there is an ability to use or sell the intangible asset
- it can be demonstrated how the intangible asset will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available, and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Development costs that meet the above criteria are recognised as intangible assets. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each of the reporting period.

2 Summary of significant accounting policies (continued)

2.9 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss;
- those to be measured subsequently at fair value through other comprehensive income; and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade date, the date that the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 Summary of significant accounting policies (continued)

2.9 Investments and other financial assets (continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains, net" and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "Other gains, net" in the period in which it arises.

2 Summary of significant accounting policies (continued)

2.9 Investments and other financial assets (continued)

(iii) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from which investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in fair value of financial assets at FVTPL are recognised in "Other gains, net" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group has four types of financial assets subject to IFRS 9's expected credit loss model:

- trade receivables;
- other receivables;
- contract assets; and
- cash and cash equivalents.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group uses practical expedients when estimating life time expected credit losses on trade receivables, which is calculated using a provision matrix where a fixed provision rate applies depending on the number of days that a trade receivable is outstanding. For details, please refer to Note 3.1.2.

For impairment methodology of other receivables, please refer to Note 3.1.2(ii)(c).

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2 Summary of significant accounting policies (continued)

2.10 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

The Group gives volume-based rebates to certain customers. Under the terms of the master agreements, certain amounts payable by the Group are offset against receivables from the customers and only the net amounts are settled. The relevant amounts have therefore been presented net in the consolidated statement of financial position. On the contrary, the rest of the amounts will not be paid by the Group unless the receivables from the customers are collected. The relevant amounts have therefore been presented separately in the consolidated statement of financial position.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2.12 Trade, bill and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 180 days and therefore are all classified as current.

Trade, bill and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 Summary of significant accounting policies (continued)

2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after each of the reporting period.

They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of each of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies (continued)

2.17 Employee benefits

2.17.1 Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC Government. The Group's contributions to these plans are expensed as incurred.

2.17.2 Housing funds, medical insurance and other social insurance

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

2.17.3 Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the each of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

2.17.4 Bonus plan

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2 Summary of significant accounting policies (continued)

2.17 Employee benefits (continued)

2.17.5 Share-based payments

The Group operates two equity-settled, share-based compensation plan (the RSU Scheme and the SA Scheme) under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted including any market performance conditions (for example, an entity's share price); but excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and retaining an employee of the entity over a specified time period).

Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

2.18 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 Summary of significant accounting policies (continued)

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised when or as the services are rendered to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the services may be transferred over time or at a point in time.

Control of the services is transferred over time if the Group's performance provides all of the benefits received and consumed simultaneously by the customer.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The Group uses the output methods to measure the progress towards, recognising revenue based on direct measurements of the value transferred to the customer. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed its obligation, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

2 Summary of significant accounting policies (continued)

2.19 Revenue recognition (continued)

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

The Group principally derives revenue from online advertising income, transaction facilitation service income, SaaS services income and sales of automobiles.

Online advertising services income

The Group principally provided advertising service to marketing agents in the automobile industry. Majority of the Group's online advertising service arrangements involve various deliverables such as banner advertisements, links and logos, and other media insertions that are delivered over different periods of time.

Online advertising services income is recognised in which the advertisements are published over the stated display period on its own online platform, other linked online portals, or mobile applications. The Group uses the output methods to measure the progress towards, recognising revenue based on direct measurements of the value transferred to the customers.

Since the Group has the ability to determine the pricing of the online advertising service and to take responsibility for monitoring the quality of advertising service provided and to negotiate the service terms, the Group is regarded as the primary obligor and recognises revenue from advertising on a gross basis.

Marketing agents usually pay the advertisement after the whole contract is completed. The Group records contract assets when it has delivered the relevant services to the customers, while trade receivables are recorded when the Group has unconditional rights to payments of online advertising service which are due according to the contract terms.

The online advertising service is often sold with volume discounts based on aggregate sales over a 12 month period. Revenue from these sales is recognised based on the price specified in the contract, net of the actual volume discounts. A refund liability (included in other payables) is recognised for volume discounts payable to customers in relation to sales made until the end of the reporting period while certain volume discounts payable by the Group are offset against receivables from the customers and only the net amounts are settled (Note 2.10).

Certain customers prepay for the online advertising service, the Group recognises these receipts in advance as contract liabilities until the Group transfers the relevant services to the customers.

2 Summary of significant accounting policies (continued)

2.19 Revenue recognition (continued)

Transaction facilitation service income

The Group is engaged in the provision of transaction facilitation service under which the Group assists car dealers or market agents in hosting exhibitions and advertising campaigns, facilitating the target customers in purchasing automobiles. The Group also engaged in assisting logistic arrangements and quality inspection for vehicles sales to customers during the advertising campaign on behalf of car dealers. Transaction facilitation service income is recognised in each of the reporting period in which the exhibitions and advertising campaigns are carried out over-time on a straight-line basis which are measured with output methods, and at a point in time when the automobiles are transferred to customers in accordance with the relevant contract terms.

For transaction facilitation service which the Group has the ability to determine the pricing and take responsibility for monitoring the quality of the services provided and to negotiate the service terms, the Group is regarded as the primary obligor and recognises revenue from the transaction facilitation service on a gross basis. For those services which the Group does not have the ability to determine the pricing, and acts as an agent in facilitating the transaction, the Group recognises revenue from the transaction facilitation service on a net basis.

The Group records trade receivables when the revenue is recognised since the Group has unconditional rights to payments of the services which are due according to the contract terms.

Software as a service (“SaaS”) service income

The Group is engaged in the provision of SaaS services to customers. The Group would provide the customers right to access to its SaaS platform in which the Group provides data information for the customers. The Group generally charges its customers service fee based on the volume of data information provided to the customers in the SaaS platform.

Revenue from SaaS is recognised at a point in time when the services is completed without further unfulfilled obligation.

2 Summary of significant accounting policies (continued)

2.19 Revenue recognition (continued)

Sales of automobiles

The Group is engaged in the sales of automobiles. Sales of goods are recognised when the control of the products has transferred, being when the products are delivered to the customer, the Group has full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered to the specified locations, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Trade receivables is recognised when the goods are transferred and accepted by customer. This is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Financing components

The Group considers those contracts where the period between the transfer of the promised services to the customer and payment by the customer are within one year, and whether the payment schedule is commensurate with the performance and whether the delayed payment is for finance purpose. The Group does not consider the arrangement with customers have significant financing component. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.20 Leases

The Group leases various properties to operate its business. Property leases are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Property leases are recognised as right-of-use assets (included in property, plant and equipment) and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to provide a constant periodic rate of interest on the remaining balance of the liability for each period.

2 Summary of significant accounting policies (continued)

2.20 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate.
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and
- lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

The lease payments are discounted using the entity specific incremental borrowing rate.

2.21 Interest income

Interest income from financial assets at FVTPL is included in "Other gains, net".

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

2 Summary of significant accounting policies (continued)

2.22 Borrowing and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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 eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.23 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding shares held for employee share scheme.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Convertible redeemable preference shares

The Group designated the convertible redeemable preference shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in the consolidated statement of comprehensive income.

Subsequent to initial recognition, the convertible redeemable preference shares are carried at fair value with changes in fair value recognised as "Other gains, net" in the consolidated statement of comprehensive income.

The component of fair value changes relating to the Company's own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in the consolidated statement of comprehensive income, but are transferred to retained earnings when realised.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

3 Financial risk management

3.1 Financial risk factor

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

3.1.1 Market risk

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Company's functional currency is RMB. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency.

The Group operates mainly in the PRC with most of the transactions settled in RMB, management considers that the business is not exposed to any significant foreign exchange risk other than US$ and HK$ denominated financial assets or liabilities of the Group.

As at 31 December 2021, if RMB has strengthened/weakened by 5% against US$ with all other variables held constant, the post-tax profit and total equity would have been approximately RMB1,042,000 (2020: RMB260,000) lower/higher, respectively, mainly as a result of foreign exchange losses/gains on translation of US$ denominated assets and liabilities.

As at 31 December 2021, if RMB has strengthened/weakened by 5% against HK$ with all other variables held constant, the post-tax profit and total equity would have been approximately RMB8,369,000 (2020: Nil) lower/higher, respectively, mainly as a result of foreign exchange losses/gains on translation of HK$ denominated assets and liabilities.

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, details of which have been disclosed in Note 22.

The fixed rate loans from a shareholder are subject to fair value interest rate risk, which are monitored through contractual terms, and the Group does not use derivatives to hedge the interest rate risk.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

3.1.2 Credit risk

Credit risk arises from cash and cash equivalents, financial assets carried at FVTPL, trade and bill receivables, contract assets and deposits and other receivables.

(i) Risk management

As at 31 December 2021, all cash and cash equivalents and financial assets carried at FVTPL amounted to RMB21,153,000 were deposited or held in high quality financial institutions which are independently rated with a high credit rating. As at 31 December 2020, all cash and cash equivalents and financial assets carried at FVTPL were deposited in high quality financial institutions which are independently rated with a high credit rating. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group has concentrations of credit risk which arise from trade receivables from its customers. Trade receivables from the Group's five largest customers in aggregate account for 31% (2020: 43%) of the Group's total trade receivables at 31 December 2021. The credit quality of the debtors is assessed based on their financial positions, past experience, expected loss rates based on the payment profiles of sales over the years ended 31 December 2021 and 2020, and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. The Group's historical experience in collection of receivables falls within recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivable has been made.

For deposits, bill and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits, bill and other receivables based on historical settlement records, past experience, and other factors. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of deposits, bill and other receivables. For the provision made to the deposits and other receivables balance, please refer to Note 20.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

3.1.2 Credit risk (continued)

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

a. Trade receivables;

b. Contract assets;

c. Deposits, bill and other receivables.

Trade receivables and contract assets

The Group applies the simplified approach to provide for the expected credit loss prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past recognition. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer, its geographical location and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the receivables.

The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product index ("GDP"), the consumer price index ("CPI") of the PRC and expected default rate of the automotive and advertising industry in which it provides its services to be the most relevant factors, and accordingly adjust the historical loss rate based on expected changes in these factors.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

3.1.2 Credit risk (continued)

(ii) *Impairment of financial assets* (continued)

Trade receivables and contract assets (continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery includes, amongst other, the failure of a debtor to engage in a repayment plan within the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

	By recognition date of gross trade receivables and contract assets					
31 December 2021	Within 30 days	31 to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
Expected loss rate	1.48%	1.65%	2.49%	9.65%	52.99%	
Gross carrying amount – trade receivables (in RMB'000)	22,513	30,567	30,853	25,662	5,574	115,169
Gross carrying amount – contract assets (in RMB'000)	2,240	–	–	–	–	2,240
Loss allowance (RMB'000)	369	505	767	2,477	2,954	7,072

	By recognition date of gross trade receivables and contract assets					
31 December 2020	Within 30 days	31 to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
Expected loss rate	2.90%	3.23%	3.46%	5.81%	22.91%	
Gross carrying amount – trade receivables (in RMB'000)	38,516	25,255	26,974	24,805	6,799	122,349
Gross carrying amount – contract assets (in RMB'000)	689	–	–	–	–	689
Loss allowance (RMB'000)	1,139	816	933	1,442	1,558	5,888

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

3.1.2 Credit risk (continued)

(ii) *Impairment of financial assets* (continued)

Trade receivables and contract assets (continued)

The closing loss allowances for trade receivables and contract assets as at 31 December 2021 and 2020 reconcile to the opening loss allowances as follows:

	Contract assets		Trade receivables	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Opening loss allowance	20	109	5,868	2,220
Increase in loss allowance recognised in profit or loss during the year	33	20	1,171	5,495
Unused amount reversed	(20)	(109)	–	(1,847)
At 31 December	33	20	7,039	5,868

Deposits, bill and other receivables

Deposits, bill and other receivables as at 31 December 2021 and 2020 were mainly rental and other deposits and bill receivables. The directors of the Company consider the probability of default upon initial recognition of the asset and whether there has been significant increase in credit risk on an ongoing basis during the year. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition.

Management makes periodic collective assessments as well as individual assessment on the recoverability of deposits, bill and other receivables based on historical settlement records and past experience. A significant increase in credit risk is presumed if a debtor is more than 180 days past due in making a contractual payment/repayable demanded.

The directors of the Company believe that there was no material credit risk inherent in the Group's outstanding balance of deposits, bill and other receivables.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021						
Trade payables	1,270	–	–	–	1,270	1,270
Accruals and other payables *	5,132	–	–	–	5,132	5,132
Loan from a shareholder	3,039	764	13,504	–	17,308	15,134
Lease liabilities	5,167	1,938	–	–	7,105	6,918
	14,608	2,702	13,504	–	30,815	28,454

	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount RMB'000
At 31 December 2020						
Trade payables	3,032	–	–	–	3,032	3,032
Accruals and other payables *	23,141	–	–	–	23,141	23,141
Lease liabilities	5,801	5,126	1,791	–	12,718	12,071
Dividend payable	13,600	–	–	–	13,600	13,600
Convertible redeemable preference shares	58,178	–	–	–	58,178	47,741
	103,752	5,126	1,791	–	110,669	99,585

* Excluding other taxes payables and accrued payroll and welfare.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

3.1.4 Price risk

The Group's exposure to equity fund price risk arises from investments held by the Group and classified in the consolidated statement of financial position as financial assets at fair value through profit or loss (Note 21).

The Group manages its price risk by regularly monitoring equity portfolio to address any portfolio issues promptly.

The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months (Note 3.3).

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital by regularly reviewing the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings, lease liabilities and convertible redeemable preference shares (including current and non-current portion as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group's capital risk is low.

3 Financial risk management (continued)

3.2 Capital management (continued)

The gearing ratio is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Lease liabilities	6,918	12,071
Loan from a shareholder	15,134	–
Convertible redeemable preference shares	–	47,741
Less: cash and cash equivalents	(328,675)	(27,382)
Net (cash)/debt	(306,623)	32,430
Total equity	480,014	198,373
Gearing ratio	N/A	16.3%

3.3 Fair value estimation

3.3.1 Fair value hierarchy

The carrying amounts of the Group's financial assets including cash and cash equivalents, trade receivables, deposits, bill and other receivables; and current financial liabilities including trade payables, accruals and other payables, lease liabilities and loan from a shareholder approximate their fair values due to their short maturities. The carrying amounts of non-current lease liabilities and loan from a shareholder approximate their fair values which are estimated based on the discounted cash flows.

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

3.3.1 Fair value hierarchy (continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2021				
Financial assets at FVTPL	–	21,153	38,935	60,088
Financial assets at FVOCI	–	–	418	418
As at 31 December 2020				
Financial assets at FVTPL	–	–	133,083	133,083
Financial assets at FVOCI	–	–	388	388

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2021				
Convertible redeemable preference shares	–	–	–	–
As at 31 December 2020				
Convertible redeemable preference shares	–	–	47,741	47,741

During the years ended 31 December 2021 and 2020, there were no transfers between levels 1, 2 and 3 for recurring fair value measurements.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of each of the reporting period.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

3.3.1 Fair value hierarchy (continued)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of each of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

3.3.2 Valuation technique and process used to determine fair value

The finance department of the Group includes a team that performs the valuation of financial assets or liabilities carried at FVTPL and FVOCI required for financial reporting purposes, including level 3 fair values, other than unlisted investment funds. This team reports directly to the board of directors. Discussions of valuation processes and results are held between the board of directors and the valuation team.

Financial assets at FVTPL

The valuation technique used to value wealth management products include the benchmarking of the expected cash inflows at the maturity of the instruments.

The valuation techniques for unlisted investment funds includes reviewing net asset value provided by fund administrators and valuation report provided by independent external valuer.

Convertible redeemable preference shares

The Group has used the market approach to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the Series A Preferred Shares as at the date of issuance and at the end of each reporting period.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

3.3.2 Valuation technique and process used to determine fair value (continued)

Financial assets at FVOCI

The Group has used the income approach to determine the fair value of the FVOCI. A discounted cash flows model is adopted, with key assumptions such as revenue growth, gross profit margin, and discount rate being incorporated in determining the fair value of the FVOCI as at the date of acquisition and at the end of each reporting period.

There were no changes in valuation techniques during the years ended 31 December 2021 and 2020.

3.3.3 Fair value measurements using significant unobservable inputs (level 3)

(a) The following table presents the changes in level 3 item financial assets at FVTPL for the years ended 31 December 2021 and 2020:

	Unlisted investment funds	Wealth management products at fair value through profit and loss RMB'000
Opening balance 1 January 2021	–	133,083
Acquisitions	30,000	28,888
Redemption	–	(163,912)
Gains recognised in other gains*	8,935	1,941
Closing balance 31 December 2021	38,935	–
Opening balance 1 January 2020	–	41,656
Acquisitions	–	278,422
Redemption	–	(189,859)
Gains recognised in other gains*	–	2,864
Closing balance 31 December 2020	–	133,083

* includes unrealised gains recognised in profit or loss attributable to balances held as at 31 December 2021 and 2020

	RMB'000
Year ended 31 December 2021	8,935
Year ended 31 December 2020	1,271

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

3.3.3 Fair value measurements using significant unobservable inputs (level 3) (continued)

(b) For changes in level 3 item convertible redeemable preference shares during the years ended 31 December 2021 and 2020, please refer to Note 33(c).

(c) The following table presents the changes in level 3 item financial assets at FVOCI for the year ended 31 December 2021:

	Financial assets at FVOCI RMB'000
Opening balance 1 January 2020	–
Acquisition	388
Balance as at 31 December 2020 and 1 January 2021	388
Fair value gain	30
Closing balance 31 December 2021	418

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

3.3.4 Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See Note 3.3.2 above for the valuation techniques adopted.

Description	Fair value at 31 December 2021 RMB'000	Fair value at 31 December 2020 RMB'000	Un-observable inputs	Range of inputs 31 December 2021	Range of inputs 31 December 2020	Relationship of unobservable inputs to fair value
Wealth management products	–	133,083	Return rates	N/A	3.8%	A shift of the return rate by +/-5% results in a change in fair value of RMB91,445 for the year ended 31 December 2020
Convertible redeemable preference shares	–	47,741	Equity value	N/A	RMB'000 996,327	A shift of the equity value by +/-5% results in a change in fair value of RMB2.3 million for the year ended 31 December 2020
			Discounts for lack of marketability ("DLOM")	N/A	5%	A shift of the DLOM by +/-1% results in a change in fair value of RMB0.5 million for the year ended 31 December 2020
			Volatility	N/A	48.17%	A shift of the volatility by +/-5% results in a change in fair value of RMB0.1 million for the year ended 31 December 2020
Financial assets at FVOCI	418	388	Equity value	RMB'000 2,788	RMB'000 2,585	A shift of the equity value by +/-5% results in a change in fair value of RMB21,000 for the year ended 31 December 2021 (2020: RMB19,000)
			DLOM	20%	20%	A shift of the DLOM by +/-1% results in a change in fair value of RMB7,000 for the year ended 31 December 2021 (2020: RMB3,000)
Unlisted investment fund	38,935	–	Net asset value (Note (i))	N/A	N/A	N/A

(i) The Group has determined that the reported net asset value approximates fair value of the unlisted fund investment at the end of the reporting period.

3 Financial risk management (continued)

3.4 Offsetting financial assets and financial liabilities

The following table presents the recognised financial instruments that are offset, or subject to agreements but not offset, as at 31 December 2021 and 2020. The column "net amounts" shows the impact on the Group's consolidated statement of financial position if all set-off rights were exercised.

	Effects of offsetting on the consolidated statement of financial position			Related amount not offset	
	Gross amounts RMB'000	Gross amounts set off in the consolidated statement of financial position RMB'000	Net amounts presented in the consolidated statement of financial position RMB'000	Amounts subject to sales contracts RMB'000	Net amounts RMB'000
31 December 2021					
Financial assets					
Trade and bill receivables (a) (b)	133,105	(13,461)	119,644	–	119,644
Financial liabilities					
Accruals and other payables (a) (b)	46,682	(13,461)	33,221	–	33,221
31 December 2020					
Financial assets					
Trade and bill receivables (a) (b)	154,718	(27,640)	127,078	–	127,078
Financial liabilities					
Accruals and other payables (a) (b)	82,157	(27,640)	54,517	–	54,517

3 Financial risk management (continued)

3.4 Offsetting financial assets and financial liabilities (continued)

(a) Trade receivables and payables offsetting arrangements

The Group gives volume-based rebates to certain customers. Under the terms of the master agreements, certain amounts payable by the Group are offset against receivables from the customers and only the net amounts are settled. The relevant amounts have therefore been presented net in the consolidated statement of financial position. On the contrary, the rest of the amounts will not be paid by the Group unless the receivables from the customers are collected. The relevant amounts have therefore been presented separately in the table above.

(b) Sale contracts – not currently enforceable

Under the terms of certain sale contracts, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty will be taken as owing and all the relevant arrangements will be terminated. As the Group does not presently have a legally enforceable right of set-off, these amounts have not been offset in the consolidated statement of financial position, but have been presented separately in the table above.

4 Critical estimates, judgements and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Estimation of the fair value of financial assets at FVTPL, financial assets at FVOCI and convertible redeemable preference shares

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing as at 31 December 2021 and 2020. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.3.

4 Critical estimates, judgements and assumptions (continued)

(b) Provision for impairment of assets

(i) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash-generating unit is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts specific to the industry in which the cash-generating unit operates. Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 17.

(ii) Estimation of intangible assets impairment that are subject to amortisation

The Group tested assets that are subject to amortisation whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, as set out in Note 2.8. The Group uses judgement in assessing the impairment and making inputs to the impairment calculation, based on the historical performance and the future cash flows of the assets.

(c) Impairment of receivables

The loss allowances for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates as at 31 December 2021 and 2020.

(d) Income taxes and deferred taxations

The Group is subject to income taxes in the PRC and other jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management consider it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

4 Critical estimates, judgements and assumptions (continued)

(e) Contractual arrangements

The Group conducts its business through Congshu Beijing Technology Limited (樅樹(北京)科技有限公司) ("Congshu Beijing") and its subsidiaries (collectively, the "Operating Companies") in the PRC. Due to the regulatory restrictions on the foreign ownership of the Business in the PRC, the Group does not have any equity interest in Congshu Beijing. The Directors assessed whether or not the Group has control over the Operating Companies by assessing whether it has the rights to variable returns from its involvement with the Operating Companies. After assessment, the Directors concluded that the Group has control over the Operating Companies as a result of the Contractual Arrangements and accordingly the financial position and the operating results of the Operating Companies are included in the Group's consolidated financial statements throughout the years ended 31 December 2021 and 2020 or since the respective dates of incorporation/establishment, whichever is the shorter period. Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Operating Companies and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Operating Companies. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements with Congshu Beijing and its registered equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(f) Share-based payments

The determination of the fair value of the RSU Scheme and SA Scheme vested require estimates in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the life of the restricted share units and the share awards and their respective number that are expected to be vested. Where the outcome of the number of the restricted share units and the share awards that are vested is different, such difference will impact the consolidated statement of comprehensive income in the subsequent remaining vesting period of the relevant restricted share units and the share awards.

5 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company who make strategic decisions. The CODM considers that the Group has four operating and reporting segments and assesses the performance of these segments based on revenue. No information of segment results, segment assets and liabilities are presented since the resources allocation and performance assessment does not include the segment results, assets and liabilities.

As a result of this evaluation, the Group determined that it has operating segments as follows:

- the provision of automobile-related advertising service and publication of automobile-related articles and videos, both of which are published on the Group's online platform ("Online advertising service");

- the provision of transaction facilitation service, which the Group assists car dealers or marketing agents in hosting exhibitions and advertising campaigns, facilitating the target customers in purchasing automobiles; or trades automobiles to customers during the advertising campaign of car dealers, assists in logistic arrangements and quality inspection ("Transaction facilitation service");

- the sales of automobiles; and

- the provision of Software as a service ("SaaS") service income upon customer's request and charge its customers service fee based on the volume of data information provided to the customers.

Geographical information

All the revenue of the Group was generated in the PRC during the years ended 31 December 2021 and 2020. All non-current assets were kept in the PRC as at 31 December 2021 and 2020.

The revenue geographical information above is based on where the Company and the subsidiaries are located. The non-current asset information above is based on the locations of the assets.

6 Revenue

(a) An analysis of the Group's revenue during years ended 31 December 2021 and 2020 is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers:		
Recognised over time		
Online advertising service	178,905	178,957
Transaction facilitation service	–	210
Recognised at a point in time		
Transaction facilitation service	625	1,237
SaaS service	6,922	–
Sales of automobiles	10,733	–
	197,185	180,404

(b) Information about the major customer[1]

Revenue from transactions with the external customer accounting for 10% or more of Group's total revenue is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Customer A[2]	N/A	18,473

(1) There is no customer contribute over 10% of total revenue of the Group for the year ended 31 December 2021.

(2) The respective customers did not contribute over 10% of the total revenue of the Group in the current year.

6 Revenue (continued)

(c) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
Contract assets	*(i)*	2,240	689
Loss allowance		(33)	(20)
Total contract assets		2,207	669
Contract liabilities		9,086	2,280

The Group applied the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for contract assets. Impairment of RMB33,000 (2020: RMB20,000) were made as at 31 December 2021.

Contract liabilities increased as at 31 December 2021 is due to the negotiation of larger prepayments and an increase in overall contract activity.

(i) The movement of contract liabilities is as follows:

	Year ended 31 December 2021 RMB'000	2020 RMB'000
As at the beginning of the year	2,280	3,765
Additions	11,566	3,464
Revenue recognised	(4,760)	(4,949)
As at the end of the year	9,086	2,280

6 Revenue (continued)

(c) Assets and liabilities related to contracts with customers (continued)

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised during the years ended 31 December 2021 and 2020 relates to carried-forward contract liabilities.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	2,280	3,765

(iii) Unsatisfied long-term online advertising contracts

The following table shows unsatisfied performance obligations resulting from fixed-price long-term online advertising contracts:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Aggregate amount of the transaction price allocated to long-term online advertising contracts that are partially or fully unsatisfied as at 31 December	4,445	2,488

Management expects that 100% of the transaction price allocated to unsatisfied performance obligations as at 31 December 2021 will be recognised as revenue during the next reporting period amounted to RMB4,445,000 (2020: RMB2,488,000).

7 Expenses by nature

Expenses included in net impairment loss/(reversal of impairment loss) on financial assets, cost of sales, selling and distribution expenses, administrative expenses and research & development expenses are analysed as follows:

		Year ended 31 December	
		2021	2020
	Note	RMB'000	RMB'000
Cost of inventories		10,700	–
Marketing and promotion expenses		21,526	10,402
Amortisation of intangible assets[(1)]	*17*	1,072	986
Depreciation of property, plant and equipment[(2)]	*16*	1,013	585
Depreciation of right-of-use assets[(2)]	*16*	5,085	5,560
Employee benefit expenses	*8*	68,761	47,209
Expense of website maintenance and internet improvement		15,566	7,054
Advertisement production and other direct expenses		22,557	17,072
Listing expenses		3,289	8,986
Other taxes		2,516	2,364
Legal and professional fee		2,809	259
Consultancy fee		5,537	1,118
Provision for impairment of trade receivables and contract assets		1,184	3,559
Reversal of bad debt previously written off		(949)	(5,108)
Auditor's remuneration		2,324	1,237
Miscellaneous		5,018	4,554
		168,008	105,837

7 Expenses by nature (continued)

(1) Amortisation expenses were charged to the following categories of expenses:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of sales	935	935
Administrative expenses	137	51
	1,072	986

(2) Depreciation expenses were charged to the following categories of expenses:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of sales	180	142
Selling and distribution expenses	119	715
Administrative expenses	5,084	4,850
Research and development expenses	715	438
	6,098	6,145

(3) Research and development expenses are analysed as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation of property, plant and equipment	715	438
Employee benefit expenses	9,462	4,800
Expense of website maintenance and internet improvement	6,899	4,938
Miscellaneous	692	293
	17,768	10,469

8 Employee benefit expenses (including directors' emoluments)

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Wages, salaries and bonuses	43,467	35,950
Share-based compensation expenses (Note 33)	14,694	6,108
Pension costs – defined contribution plans (Note (a))	4,502	325
Other social security costs, housing benefits and other employee benefits	6,098	4,826
	68,761	47,209

(a) Pension cost – defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees. No forfeited contribution is available to reduce the contribution payable in future years.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions were subject to a monthly cap of HK$1,500 and thereafter contributions are voluntary. No forfeited contribution is available to reduce the contribution payable in future years.

During the year ended 31 December 2020, there were one-off deduction of pensions cost for Group companies in the PRC. No deduction was granted during the year ended 31 December 2021.

8 Employee benefit expenses (including directors' emoluments) (continued)

(b) Directors' and chief executives' emoluments

The remuneration of directors and chief executive officer for the year ended 31 December 2021 is set out below:

	Emoluments paid or receivable in respect of a person's service as a director, whether of the Company or its subsidiary undertakings	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking				
	Fee	Salaries	Discretionary bonuses	Defined contribution pension costs	Other allowances and benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors						
Mr. Xu	–	365	300	53	64	782
Mr. Liu Lei	–	965	420	56	69	1,510
Ms. Suo Yan (note (v))	–	81	–	13	16	110
Mr. Lin Yuqi (note (vi))	–	454	–	40	48	542
Mr. Zhu Boyang	–	200	–	4	14,278	14,482
Independent Non-executive Directors						
Mr. Xu Xiangyang	–	100	–	–	–	100
Mr. Li Ming	–	100	–	–	–	100
Mr. Ng Jack Ho Wan	–	100	–	–	–	100
	–	2,365	720	166	14,475	17,726

8 Employee benefit expenses (including directors' emoluments) (continued)

(b) Directors' and chief executives' emoluments (continued)

The remuneration of directors and chief executive officer for the year ended 31 December 2020 is set out below:

	Emoluments paid or receivable in respect of a person's service as a director, whether of the Company or its subsidiary undertakings	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking				
	Fee	Salaries	Discretionary bonuses	Defined contribution pension costs	Other allowances and benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors						
Mr. Xu	–	364	144	4	63	575
Mr. Liu Lei	–	964	300	5	46	1,315
Ms. Suo Yan	–	364	144	4	67	579
Mr. Zhu Boyang	–	979	–	17	6,100	7,096
Independent Non-executive Directors						
Mr. Xu Xiangyang	–	–	–	–	–	–
Mr. Li Ming	–	–	–	–	–	–
Mr. Ng Jack Ho Wan	–	–	–	–	–	–
	–	2,671	588	30	6,276	9,565

8 Employee benefit expenses (including directors' emoluments) (continued)

(b) Directors' and chief executives' emoluments (continued)

(i) Mr. Xu is the Chief Executive Officer of the Company.

(ii) There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2021 and 2020.

(iii) For the executive directors, the remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Operating Subsidiaries during the year ended 31 December 2020. No directors waived any emolument during each of the years ended 31 December 2021 and 2020.

(iv) No director fees were paid to these directors in their capacity as directors of the Company or the Operating Subsidiaries and no emoluments were paid by the Company or the Operating Subsidiaries to the directors as an inducement to join the Company or the Operating Subsidiaries, or as compensation for loss of office during each of the years ended 31 December 2021 and 2020.

(v) Ms. Suo Yan has resigned as Executive Director with effect from 29 March 2021.

(vi) Mr. Lin Yuqi has been appointed as Executive Director with effect from 29 March 2021.

(c) Benefits and interests of directors

Except for benefits disclosed above, there were no other benefits offered to the directors of the Company.

(d) Directors' retirement and termination benefits

None of the directors of the Company received or will receive any retirement benefits or termination benefits in respect of their services to the Group for the years ended 31 December 2021 and 2020.

(e) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2021 and 2020, the Group had not paid any consideration to any third parties for making available directors' services to the Group.

(f) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings entered into by the Group in favour of the directors of the Company, or body corporate controlled by or entities connected with any of the directors of the Company as at 31 December 2021 and 2020.

(g) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2021 and 2020.

8 Employee benefit expenses (including directors' emoluments) (continued)

(h) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 include 3 (2020: 2) directors whose emoluments are reflected in the analysis presented above. The aggregate amounts of emoluments for the remaining 2 (2020: 3) individuals for the year ended 31 December 2021 are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Wages, salaries and bonuses	1,353	2,231
Pension costs – defined contribution plans	53	8
Other social security costs, housing benefits and other employee benefits	65	73
	1,471	2,312

The emoluments of those individuals fell within the following bands:

	Year ended 31 December	
	2021	2020
Emolument bands		
Nil – HK$1,000,000	2	3
HK$1,500,001 – HK$2,000,000	–	–
HK$2,000,001 – HK$2,500,000	–	–
	2	3

9 Other income

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Government grant (Note (a))	6,876	988
Value added tax super credit	843	1,499
Consultancy income (Note (b))	6,535	–
Waiver of account payables	1,242	–
Others	405	743
	15,901	3,230

Note:

(a) The amount represents government grant from Chaoyang People's Government of the PRC in respect of the successful listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited on 15 January 2021. There are no unfulfilled conditions and other contingencies attached to the government grant.

(b) The consultancy income represents advisory services in relation to merger and acquisition provided to independent third parties during the year ended 31 December 2021 with total contract sums of RMB6,535,000.

10 Other gains, net

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Fair value gain on financial assets at FVTPL	11,179	2,864
Fair value gain on convertible redeemable preference shares	–	636
Gain from termination of lease	–	17
Gain on deemed disposal of an associate (Note 12)	–	232
Exchange loss, net	(3,272)	(2,937)
	7,907	812

11 Finance (costs)/income, net

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Finance income:		
Interest income on bank deposits	617	269
Finance expense:		
Interest expense on loan from a shareholder	(380)	–
Interest expense on lease liabilities	(459)	(493)
	(839)	(493)
	(222)	(224)

12 Interest in an associate

On 6 March 2020, the Group subscribed for 15% of the registered capital of Leikewo (Beijing) Technology Limited (雷柯沃(北京)科技有限公司) ("Leikewo") at a cash consideration of RMB150,000. Leikewo is principally engaged in automobile advertising service in the PRC.

On 6 March 2020, management has assessed the level of influence that the Group has on Leikewo and determined that it has significant influence even though the shareholding is below 20% because of the representation in meetings which govern the financial and operating decisions of Leikewo. Therefore, Leikewo has been classified as an associated company.

On 31 December 2020, a shareholders' resolution was passed and a supplemental shareholders' agreement was signed to change the structure of the financial and operating decisions of Leikewo. The Group is no longer entitled the rights in nominating directors nor being nominated to be the director of Leikewo. Since then, the Group has lost the significant influence on Leikewo and is recorded as financial assets at FVOCI accordingly.

12 Interest in an associate (continued)

The movement of the interest in an associate has changed as follows for the year ended 31 December 2020:

	2020 RMB'000
Opening balance 1 January	–
Acquisitions	150
Share of profit for the period	6
Gain on deemed disposal of an associate	232
Derecognition upon deemed disposal of an associate	(388)
Closing balance 31 December	–

13 Income tax expense

The Group's principal applicable taxes and tax rates are as follows:

(a) Cayman Islands

Under the current laws of Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(b) British Virgin Islands

The Group's entities incorporated in British Virgin Islands are not subject to tax on income or capital gains.

(c) Hong Kong

The Group's entities incorporated in Hong Kong are subject to Hong Kong profits tax of 8.25% for the first HK$2 million of the estimated assessable profits for one of the Group's Hong Kong subsidiaries for the year and 16.5% on the remaining estimated assessable profits during the year ended 31 December 2021 (2020: 16.5%).

13 Income tax expense (continued)

(d) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The statutory PRC CIT rate is 25% for the year ended 31 December 2021 (2020: 25%).

A subsidiary of the Group in the PRC has obtained approved from the in-charge tax authority in the PRC as High-New Technology Enterprise as defined under the New Enterprise Income Tax Law. Such entity is entitled to a reduced preferential enterprise income tax ("EIT") rate at 15% ("HNTE Preferential Tax Rate") for a 3-year period from October 2020 to October 2023. Accordingly, it was a subject to the HNTE Preferential Tax Rate at 15% for the year ended 31 December 2021 (2020: 15%).

(e) Withholding tax on undistributed profits

According to CIT law, distribution of profits earned by PRC companies since 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. During the years ended 31 December 2021 and 2020, the Group does not have any profit distribution plan. Deferred income tax liabilities have not been recognised for the withholding tax that would be payable on the distributable retained profits amounting to RMB19,177,000 (2020: RMB13,704,000) as at 31 December 2021 of the Group's subsidiaries in Mainland China earned after 1 January 2008, because the Group does not have a plan to distribute these earnings from its PRC subsidiaries. The Group has the discretion to do so and it will re-invest in those PRC subsidiaries in the future.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax	9,162	13,333
Over-provision in respect of prior year	(133)	–
Deferred income tax (Note 27)	2,901	417
Income tax expense	11,930	13,750

13 Income tax expense (continued)

(e) Withholding tax on undistributed profits (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	52,763	78,391
Tax calculated at PRC statutory income tax rate of 25%	13,191	19,597
Tax effects of:		
Preferential tax rate of a subsidiary	(6,030)	(8,395)
Income not subject to tax	(1,677)	(735)
Expenses not deductible for tax	7,979	4,049
Tax incentives for research and development expenses*	(1,400)	(766)
Over-provision in respect of prior year	(133)	–
Income tax expense	11,930	13,750

* Pursuant to Caishui [2018] circular No. 99, enterprises engaging in research and development activities are entitled to claim 175% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The additional deduction of 75% of qualified research and development expenses is subject to the approval from the relevant tax authorities in the annual CIT filling. The Group has made its best estimate for the Super Deduction to be claimed in ascertaining the assessable profits for the years ended 31 December 2021 and 2020.

14 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the Group's profit attributable to equity owners of the Company by the weighted average number of outstanding ordinary shares in issue during the years ended 31 December 2021 and 2020, excluding shares held for employee share scheme.

Pursuant to clause 4.6.3 of the Pre-IPO Shareholder's Agreement signed between the Company and the Pre-IPO investor, the Series A Preferred Shares were converted to ordinary shares on 21 June 2019. However, according to clause 4.6.2 of the Pre-IPO Shareholder's Agreement, the ordinary share can be converted back to Series A Preferred Shares when the listing event has been denied, rejected or dismissed. Hence, the above said ordinary shares continued being recognised as Series A Preferred Shares according to the substance. Accordingly, the aforesaid ordinary shares and the 25,000,000 bonus shares as further detailed in Note 23(a)(iv) were not included in the calculation of basic earnings per share for the year ended 31 December 2020. On 15 January 2021, in connection with the Listing of the Company's shares, each Series A Preferred share was automatically be converted into fully-paid ordinary shares based on the then-effective applicable conversion price upon the listing documents submission date.

	Year ended 31 December	
	2021	2020
Profit attributable to equity owners of the Company (RMB'000)	41,013	64,641
Weighted average number of ordinary shares in issue	1,127,893,360	850,000,000
Basic earnings per share (in RMB/share)	0.04	0.08

14 Earnings per share (continued)

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted earnings per share equals to the basic earnings per share for the year ended 31 December 2021 as there were no potential dilutive ordinary shares outstanding during the year.

For the year ended 31 December 2020, the diluted earnings per share was calculated by considering the impact of the aforesaid 25,000,000 Series A Preferred Shares and 25,000,000 bonus shares, in which the related redemption feature of the Pre-IPO Shareholder's Agreement is in the money and has dilutive impact on the earnings per share calculation. The Series A Preferred Shares and bonus shares are further detailed in Note 23(a)(iv).

	Year ended 31 December 2020
Diluted earnings per share	
Profit attributable to equity owners of the Company (RMB'000) (i)	64,005
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (ii)	900,000,000
Diluted earnings per share (in RMB/share)	0.07

14 Earnings per share (continued)

(b) Diluted earnings per share (continued)

(i) Reconciliations of earnings used in calculating diluted earnings per share

	Year ended 31 December 2020 RMB'000
Profit attributable to the ordinary equity owners of the Company:	
Used in calculating basic earnings per share	64,641
Less: fair value gain on convertible redeemable preference shares	(636)
Used in calculating diluted earnings per share	64,005

(ii) Weighted average number of shares used as the denominator

	Year ended 31 December 2020
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	850,000,000
Adjustments for calculation of diluted earnings per share:	
Convertible redeemable preference shares and bonus shares	50,000,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	900,000,000

15 Dividend

The board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

16 Property, plant and equipment and right-of-use assets

	Computer and electronic equipment RMB'000	Office furniture and equipment RMB'000	Leasehold improvement RMB'000	Vehicles RMB'000	Property, plant and equipment Total RMB'000	Right-of-use assets (Note 1) RMB'000	Property, plant and equipment and right-of-use assets Total RMB'000
At 1 January 2020							
Cost	1,282	13	–	–	1,295	12,598	13,893
Accumulated depreciation	(811)	(8)	–	–	(819)	(11,983)	(12,802)
Net book amount	471	5	–	–	476	615	1,091
Year ended 31 December 2020							
Opening net book amount	471	5	–	–	476	615	1,091
Additions	557	58	1,014	389	2,018	17,852	19,870
Termination of lease	–	–	–	–	–	(1,202)	(1,202)
Depreciation	(290)	(10)	(253)	(32)	(585)	(5,560)	(6,145)
Closing net book amount	738	53	761	357	1,909	11,705	13,614
At 31 December 2020							
Cost	1,839	71	1,014	389	3,313	29,248	32,561
Accumulated depreciation	(1,101)	(18)	(253)	(32)	(1,404)	(17,543)	(18,947)
Net book amount	738	53	761	357	1,909	11,705	13,614
Year ended 31 December 2021							
Opening net book amount	738	53	761	357	1,909	11,705	13,614
Additions	765	34	–	593	1,392	–	1,392
Disposals	–	(2)	–	–	(2)	–	(2)
Depreciation	(493)	(25)	(323)	(172)	(1,013)	(5,085)	(6,098)
Closing net book amount	1,010	60	438	778	2,286	6,620	8,906
At 31 December 2021							
Cost	2,603	100	1,014	982	4,864	15,444	20,308
Accumulated depreciation	(1,593)	(40)	(576)	(204)	(2,578)	(8,824)	(11,402)
Net book amount	1,010	60	438	778	2,286	6,620	8,906

Note 1: As at 31 December 2021 and 2020, the right-of-use assets relate to the leased premises of the Group.

17 Intangible assets

	Goodwill (Note a) RMB'000	Trademarks and domain names (Note b) RMB'000	Customer relationship (Note c) RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2020					
Opening net book amount	6,153	5,449	–	31	11,633
Additions	–	–	–	189	189
Amortisation	–	(935)	–	(51)	(986)
Closing net book amount	6,153	4,514	–	169	10,836
At 31 December 2020					
Cost	6,153	9,345	1,273	258	17,029
Accumulated amortisation	–	(4,831)	(1,273)	(89)	(6,193)
Net book amount	6,153	4,514	–	169	10,836
Year ended 31 December 2021					
Opening net book amount	6,153	4,514	–	169	10,836
Additions	–	–	–	284	284
Amortisation	–	(935)	–	(137)	(1,072)
Closing net book amount	6,153	3,579	–	316	10,048
At 31 December 2021					
Cost	6,153	9,345	1,273	542	17,313
Accumulated amortisation	–	(5,766)	(1,273)	(226)	(7,265)
Net book amount	6,153	3,579	–	316	10,048

17 Intangible assets (continued)

(a) Goodwill

On 31 October 2015, Congshu Beijing completed the acquisition of the online advertising platform which the Group is now operating at, from an independent third party at a cash consideration of RMB20 million. In accordance with IFRS 3 (Revised), "Business Combinations", the Group is required to recognise the identifiable assets acquired, liabilities assumed and contingent liabilities that satisfy the recognition criteria at their fair value at the acquisition date. Accordingly, the Group has undertaken a purchase price allocation to allocate the purchase consideration to the identifiable assets acquired and liabilities assumed at the acquisition date.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculation. Impairment test of goodwill is performed at period end at 31 December, or whenever there is impairment indicator, by management.

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period with the following key assumptions:

	As at 31 December	
	2021	2020
Revenue growth rate	3% to 15%	3% to 30.2%
Gross profit margin	81.2% to 83.0%	81.3% to 81.5%
Discount rate (pre-tax)	20.02%	21.42%

The management assumptions used in revenue growth rate and gross profit margin are based on historical records and synergy arose from the business combination. The management assumption used in the pre-tax discount rate is based on the industry data and the cash-generating unit's debt and equity structure.

As at 31 December 2021, the recoverable amount of the cash-generating unit of RMB391,429,000 (2020: RMB467,746,000), which was calculated based on value-in-use calculation, exceeded its carrying amount of RMB18,670,000 (2020: RMB24,450,000) (including goodwill of RMB6,153,000 (2020: RMB6,153,000)) by RMB372,759,000 (2020: RMB443,296,000).

17 Intangible assets (continued)

(a) Goodwill (continued)

Sensitivity analysis

If the revenue had been 5% higher or lower than management estimate as at 31 December 2021 with all other variables held constant, the recoverable amount of cash-generating unit will be impacted by approximately RMB71 million (2020: RMB72 million) respectively.

If the gross profit margin had been 2% higher or lower than management estimate as at 31 December 2021 with all other variables held constant, the recoverable amount of cash-generating unit will be impacted by approximately RMB32 million (2020: RMB36 million) respectively.

If the discount rate (pre tax) had been 1% higher than management estimate as at 31 December 2021 with all other variables held constant, the recoverable amount of cash-generating unit will be impacted by approximately RMB33 million (2020: RMB39 million) respectively.

If the discount rate (pre tax) had been 1% lower than management estimate as at 31 December 2021 with all other variables held constant, the recoverable amount of cash-generating unit will be impacted by approximately RMB38 million (2020: RMB45 million) respectively.

After taking into consideration of the above sensitivity analysis, there is no shortfall of the recoverable amount comparing with the carrying amount of the cash-generating unit.

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

(b) Trademarks and domain names

Trademarks and domain names represent the Group's business operation name and online platform acquired in the business acquisition described in (a) above, which was recognised initially at fair value at the acquisition date.

I Customer relationship

Customer relationship was acquired in the business acquisition described in (a) above which was recognised initially at fair value at the acquisition date.

18 Financial instruments by category

	As at 31 December 2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at amortised cost:		
Trade and bill receivables	119,644	127,078
Deposits and other receivables	1,994	1,687
Cash and cash equivalents	328,675	27,382
Amounts due from shareholders	–	310
Financial assets at FVTPL	60,088	133,083
Financial assets at FVOCI	418	388
	510,819	289,928
Financial liabilities		
Financial liabilities at amortised cost:		
Trade payables	1,270	3,032
Accruals and other payables	5,132	23,141
Lease liabilities	6,918	12,071
Loan from a shareholder	15,134	–
Dividend payable	–	13,600
Financial liability at FVTPL:		
Convertible redeemable preference shares	–	47,741
	28,454	99,585

19 Trade and bill receivables

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Bill receivables	11,514	10,597
Trade receivables	115,169	122,349
	126,683	132,946
Less: allowance for impairment (Note 3.1.2(ii))	(7,039)	(5,868)
Total trade and bill receivables, net	119,644	127,078

(a) The credit terms of trade receivables granted by the Group is generally 180 days. The ageing analysis based on recognition date of the gross trade receivables is as follows:

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Within 30 days	22,513	38,516
31 to 90 days	30,567	25,255
91 to 180 days	30,853	26,974
181 to 365 days	25,662	24,805
Over 1 year	5,574	6,799
	115,169	122,349

Ageing of bill receivables was within 6 months as at 31 December 2021 and 2020.

(b) The carrying amounts of the Group's trade and bill receivables were denominated in RMB and approximated to their fair values as at 31 December 2021 and 2020.

20 Prepayments, deposits and other receivables

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Non-current portion		
Rental deposits	1,600	1,597
	1,600	1,597
Current portion		
Prepayments		
Prepayments to suppliers	13,378	7,163
Prepaid listing expenses	–	5,722
Staff advances	81	1,317
Prepayments	13,459	14,202
Deposits and other receivables		
Rental deposits	73	82
Other tax receivables	11,388	8,255
Others	321	8
Deposits and other receivables	11,782	8,345
	25,241	22,547
Total	26,841	24,144

The carrying amounts of the Group's prepayments, deposits and other receivables approximated to their fair values as at 31 December 2021 and 2020 and are denominated in the following currencies:

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
RMB	26,747	24,098
US$	94	46
	26,841	24,144

21 Financial assets at FVTPL

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current assets		
Unlisted investment funds		
– Level 3 investment (note (a))	38,935	–
	38,935	–
Current assets		
Unlisted investment funds		
– Level 2 investment (note (b))	21,153	–
Wealth management products	–	133,083
	21,153	133,083
	60,088	133,083

(a) The Group has made an investment in a private equity fund in the PRC with fair value of RMB38,935,000 as at 31 December 2021 (2020: Nil). The fair value is within level 3 of the fair value hierarchy (Note 3.3). During the year ended 31 December 2021, a fair value gain of RMB8,935,000 (2020: Nil) is recognised in the consolidated statement of comprehensive income.

(b) The Group has made investment in a private fund which is registered the Cayman Islands with fair value of RMB10,963,000 as at 31 December 2021 (2020: Nil). The fair value is within level 2 of the fair value hierarchy. During the year ended 31 December 2021, a fair value gain of RMB113,000 (2020: Nil) is recognised in the consolidated statement of comprehensive income.

The Group has made investment in a private fund which is registered in the PRC with fair value of RMB10,190,000 as at 31 December 2021 (2020: Nil). The fair value is within level 2 of the fair value hierarchy. During the year ended 31 December 2021, a fair value gain of RMB190,000 (2020: Nil) is recognised in the consolidated statement of comprehensive income.

21 Financial assets at FVTPL (continued)

The financial assets at FVTPL were denominated the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	49,125	133,083
US$	10,963	–
	60,088	133,083

During the year, the following income was recognised in the consolidated statement of comprehensive income:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Net fair value gains on financial assets at FVTPL (Note 5)	11,179	2,864
	11,179	2,864

For information about the methods and assumptions used in determining fair value see note 3.3.

22 Cash and cash equivalents

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash at bank	328,535	27,355
Cash on hand	140	27
	328,675	27,382

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	135,596	24,421
US$	13,758	2,011
HK$	179,321	950
	328,675	27,382

Cash and cash equivalents of approximately RMB135,596,000 (2020: RMB24,421,000) as at 31 December 2021 of the Group were deposited with banks in the PRC and denominated in RMB. Cash and cash equivalents of approximately RMB3,816,000 (2020: RMB521,000) as at 31 December 2021 of the Group were deposited with banks in the PRC and denominated in US$. These bank balances are subject to the rules and regulations of foreign exchange control promulgated by the State Administration of Foreign Exchange.

The maximum exposure to credit risk was the carrying value of cash at bank as at 31 December 2021 and 2020.

The carrying amount of the Group's cash and cash equivalents approximated to its fair value as at 31 December 2021 and 2020.

23 Share capital and reserves

(a) Share capital

Authorised share capital	Number of ordinary shares '000	Nominal value of ordinary shares USD'000
Ordinary share of USD0.0001 each at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	10,000,000	1,000

Issued share capital	Number of ordinary shares	Nominal Value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000
Ordinary shares as at 1 January 2020, 31 December 2020 and 1 January 2021	950,000,000	95	655	–
Issuance of ordinary shares upon initial public offering (Note (i))	234,600,000	24	153	240,998
Shares issuance costs	–	–	–	(42,703)
Issuance of shares on conversion of convertible redeemable preference shares (Note (ii))	50,000,000	5	32	47,709
As at 31 December 2021	1,234,600,000	124	840	246,004

(i) On 15 January 2021, in connection with the Listing of the Company's shares, the Company issued 234,600,000 shares at a price of HK$1.23 per share for a total of HK$288,558,000 (equivalent to RMB241,151,000) before deduct related expenses of HK$51,098,000 (equivalent to RMB42,703,000).

(ii) On 27 May 2019, 25,000,000 Series A Preferred Shares was created by redesignating the authorised but unissued shares. After the re-designation, the authorised share capital of the Company became 475,000,000 Shares and 25,000,000 Series A Preferred Shares (Note 33). On the same day, pursuant to the Pre-IPO Investment Agreement, the Company allotted and issued 25,000,000 Series A Preferred Shares to the Pre-IPO investor, LYL Weihui Limited, credited as fully paid, for a total consideration of RMB50,000,000 (Note 33).

On 15 January 2021, in connection with the Listing of the Company's shares, each Series A Preferred share was automatically be converted into fully-paid ordinary share based on the then-effective applicable conversion price upon the listing documents submission date.

23 Share capital and reserves (continued)

(b) Treasury shares

(i) On 25 June 2019, the Company's shareholders approved and adopted the Incentive Schemes. The Company has appointed Core Trust Company Limited as the custodian (the "Scheme Custodian") to assist with the administration of the Incentive Schemes, and Glory Tower Investments Limited, an indirectly wholly-owned subsidiary of the Scheme Custodian, as nominee of the RSU Scheme (the "RSU Nominee"), and Colourful Sky International Limited, an indirectly wholly-owned subsidiary of the Scheme Custodian, as nominee of the SA Scheme (the "SA Nominee"). Accordingly, 100,000,000 ordinary shares subscribed by the Scheme Custodian at par value which amounted to RMB69,000 on 21 June 2019 and was accounted for as treasury shares as at 31 December 2021 and 2020. No restricted share unit nor share award were granted as at 31 December 2021 and the date of this report.

(ii) On September 2021, the Company has appointed Kastle Limited as the scheme custodian to repurchase shares to be held by the trust as restricted share unit for employee share award. The share repurchase were approved by the board of directors. During October to December 2021, 33,780,000 ordinary shares subscribed by the new scheme custodian with an average price of HK$0.73 per share which amounted to HK$24,659,000, equivalent to RMB19,977,000 as at 31 December 2021. No restricted share unit nor share award were granted as at 31 December 2021 and the date of this report.

23 Share capital and reserves (continued)

(c) Reserves

	Statutory reserves RMB'000	Other reserves RMB'000	Share-based payment reserve RMB'000	Revaluation reserve RMB'000	Total RMB'000
Balance at 1 January 2020	14,865	40,561	–	–	55,426
Appropriation to statutory reserves (Note (i))	4,251	–	–	–	4,251
Employee share-based compensation scheme:					
– value of employee services (Note a and Note 33)	–	–	6,108	–	6,108
Balances at 31 December 2020 and 1 January 2021	19,116	40,561	6,108	–	65,785
Appropriation to statutory reserves (Note (i))	977	–	–	–	977
Employee share-based compensation scheme:					
– value of employee services (Note a and Note 33)	–	–	14,694	–	14,694
Fair value gain on FVOCI	–	–	–	30	30
Balance at 31 December 2021	20,093	40,561	20,802	30	81,486

Note a: Share-based compensation reserve arises from share-based payments granted to employees of the Group, see Note 33 for details.

(i) In accordance with relevant regulations prevailing in the PRC, the Company's subsidiaries established and operating in the PRC are required to appropriate 10% of their profit after income tax calculated under the accounting principles generally applicable to the PRC enterprises to the statutory reserve until the fund aggregates 50% of their respective registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory reserve must be maintained at a minimum of 25% of capital after these usages.

24 Trade payables

Trade payables are non-interest-bearing.

The ageing analysis of trade payables based on recognition date is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 90 days	1,055	1,045
91 to 180 days	–	386
181 to 365 days	70	359
Over 1 years	145	1,242
	1,270	3,032

The carrying amounts of the Group's trade payables were denominated in RMB and approximated to their fair values as at 31 December 2021 and 2020.

25 Accruals and other payables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current portion		
Payroll and welfare payable	12,457	17,225
Other taxes payable	15,632	12,509
Trading deposits received	598	392
Rebate payables	425	1,209
Listing expense payables	–	12,939
Payable to advertising service providers	853	7,211
Others	3,256	3,032
Total	33,221	54,517

25 Accruals and other payables (continued)

The carrying amounts of the Group's accruals and other payables approximated to their fair values and were denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	33,063	54,488
US$	158	21
HK$	–	8
	33,221	54,517

26 Lease liabilities

(a) Amounts recognised in the consolidated statement of financial position

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current	5,070	5,484
Non-current	1,848	6,587
	6,918	12,071

26 Lease liabilities (continued)

(b) Amounts recognised in the consolidated statement of comprehensive income

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Selling and distribution expenses	–	659
Administrative expenses	4,411	4,495
Research and development expenses	674	404
	5,085	5,558
Interest expenses (included in finance cost) (Note 11)	459	493

The total cash outflows for leases including payments of lease liabilities and payments of interest expenses on leases for the year ended 31 December 2021 were RMB5,612,000 (2020: RMB5,610,000).

(c) The Group's leasing activities and how these are accounted for

The Group lease various offices. Rental contracts are typically made for fixed periods of 1 year to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

27 Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes related to the same fiscal authority.

	As at 31 December 2021 RMB'000	2020 RMB'000
Deferred income tax assets		
– to be recovered within 12 months	1,090	1,707
– to be recovered after more than 12 months	62	83
	1,152	1,790
Deferred income tax liabilities	(2,263)	–

The movements in the gross deferred income tax assets is as follows:

Movements	Employee benefits RMB'000	Intangible assets RMB'000	Total RMB'000
At 1 January 2021	1,691	99	1,790
Charged to consolidated statement of comprehensive income (Note 13)	(622)	(16)	(638)
At 31 December 2021	1,069	83	1,152
At 1 January 2020	2,092	115	2,207
Charged to consolidated statement of comprehensive income (Note 13)	(401)	(16)	(417)
At 31 December 2020	1,691	99	1,790

The movements in the gross deferred income tax liabilities is as follows:

Movements	Fair value gain on FVTPL RMB'000	Total RMB'000
At 1 January 2021	–	–
Charged to consolidated statement of comprehensive income (Note 13)	(2,263)	(2,263)
At 31 December 2021	(2,263)	(2,263)

28 Cash generated from operations

(a) Reconciliation of profit before income tax to cash generated from operations:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	52,763	78,391
Adjustments for:		
– finance costs, net	222	224
– depreciation of property, plant and equipment	1,013	585
– depreciation of right-of-use assets	5,085	5,560
– amortisation of intangible assets	1,072	986
– net impairment loss on financial assets	1,184	3,559
– share of profit of an associate	–	(6)
– value added tax super credit	(843)	(1,499)
– fair value gain on financial assets at fair value through profit or loss	(11,179)	(2,864)
– fair value gain on convertible redeemable preference shares	–	(636)
– gain on early termination of lease contract	–	(17)
– foreign exchange loss	3,272	2,937
– loss on disposal of property, plant and equipment	2	–
– gain on waive of trade payables	(1,242)	–
– gain on deemed disposal of an associate	–	(232)
– share-based compensation	14,708	6,108
Operating profit before working capital changes	66,057	93,096
Changes in working capital:		
– inventories	(876)	–
– trade and bill receivables	6,263	(16,053)
– contract assets	(1,551)	7,367
– prepayments and other receivables	(2,387)	(9,009)
– trade payables	(520)	(2,487)
– contract liabilities	6,806	(1,485)
– accruals and other payables	(22,866)	(4,660)
	50,926	66,769

28 Cash generated from operations (continued)

(b) Net cash/(debt) reconciliation

This section sets out an analysis of net cash/(debt) and the movements in net debt for each of the years presented.

	As at 31 December 2021 RMB'000	2020 RMB'000
Cash and cash equivalents (Note 22)	328,675	27,382
Lease liabilities	(6,918)	(12,071)
Loan from a shareholder	(15,134)	–
Convertible redeemable preference shares	–	(47,741)
	306,623	(32,430)

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents RMB'000	Lease liabilities RMB'000	Convertible redeemable preference shares RMB'000	Loan from a shareholder RMB'000
As at 1 January 2020	76,670	(555)	(48,377)	–
Net cash flows	(46,372)	5,610	–	–
Addition of lease liabilities	–	(17,852)	–	–
Exchange difference	(2,916)	–	–	–
Other non-cash activities	–	726	636	–
As at 31 December 2020	27,382	(12,071)	(47,741)	–
As at 1 January 2021	27,382	(12,071)	(47,741)	–
Net cash flows	304,373	5,612	–	(14,740)
Exchange difference	(3,080)	–	–	–
Other non-cash activities	–	(459)	47,741	(394)
As at 31 December 2021	328,675	(6,918)	–	(15,134)

29 Contingencies

As at 31 December 2021 and 2020, the Group did not have any material contingent liabilities.

30 Subsidiaries

The Company's all subsidiaries (including controlled and structured entities) as at 31 December 2021 and 2020 are set out below. Unless otherwise stated, they have capital consisting solely of ordinary shares that are held directly by the Group. The place of establishment/incorporation is also their principal place of business.

Company name	Place of incorporation and kind of legal entity	Particulars of issued and paid up capital	Effective interest held as at 31 December 2021	2020	Principal activities and place of operation
Directly owned:					
Cheshi Investments Limited	The BVI, limited liability company	1 United states dollars ("US$")	100%	100%	Investment holding
Indirectly owned:					
Cheshi Hong Kong Limited	Hong Kong, limited liability company	US$1,000	100%	100%	Investment holding
Congshu Beijing Technology Company Limited (樅樹(北京)科技有限公司) ("Congshu Beijing")(1)	The PRC, limited liability company	RMB35,750,000	100%	100%	Automobile advertising service, the PRC
Congshu Hubei Technology Company Limited (樅樹(湖北)科技有限公司) ("Congshu Hubei")(1)	The PRC, limited liability company	RMB5,000	100%	100%	Automobile advertising service, the PRC
Congshu Beijing Internet Technology Limited (北京樅樹互聯科技有限公司)(1)	The PRC, limited liability company	RMB12,737,600	100%	100%	Dormant, the PRC
Beihai April Digits Technology Co., Ltd (北海四月行數字科技有限公司)(1)	The PRC, limited liability company	RMB2,000,000	100%	100%	Provision of SaaS services, the PRC
Beihai Congshu Advertising Media Co., Ltd (北海樅樹廣告傳媒有限公司)(1)	The PRC, limited liability company	RMB50,000	100%	100%	Automobile advertising service, the PRC
Glory Tower Investments Limited ("Glory Tower")(2)	The BVI, limited liability company	US$100	100%	100%	Investment holding, Hong Kong
Colourful Sky International Limited ("Colourful Sky")(2)	The BVI, limited liability company	US$100	100%	100%	Investment holding, Hong Kong
Beijing Union Vehicle Technology Co., Ltd (北京聯車科技有限公司)(1)	The PRC, limited liability company	Note 3	100%	100%	Automobile advertising service, the PRC
Congshu Internet (Guangzhou) Technology Co., Ltd (樅樹互聯(廣州)科技有限公司)(1)	The PRC, limited liability company	Note 3	100%	100%	Dormant, the PRC
Shanghai Vehicle Color Technology Co., Ltd (上海車彩科技有限公司)(1)	The PRC, limited liability company	RMB1,000,000	100%	100%	Dormant, the PRC

30 Subsidiaries (continued)

Company name	Place of incorporation and kind of legal entity	Particulars of issued and paid up capital	Effective interest held as at 31 December 2021	2020	Principal activities and place of operation
Chengdu Congshu Technology Co., Ltd (成都樅樹科技有限公司)	The PRC, limited liability company	Note 3	100%	100%	Automobile advertising service, the PRC
Congshu Insurance Agency Co., Ltd (樅樹保險經紀有限公司)(1)	The PRC, limited liability company	Note 4	100%	–	Dormant, the PRC
Changxing Weinet Congyue Equity Investment Partnership (L.P.) 長興微網樅躍股權投資合夥企業(有限合夥) ("Weinet")(1)	The PRC, limited liability company	RMB30,000,000 Note 6	98.04%	–	Investing in fund, the PRC
Congshu Hainan Technology Limited (樅樹(海南)科技有限公司)(1)	The PRC, limited liability company	RMB50,000	100%	–	Dormant, the PRC
Zhixinglian Shenzhen Technology Co., Ltd (智行鏈(深圳)科技有限公司)(1)	The PRC, limited liability company	Note 5	51%	–	Dormant, the PRC
Congshu Suzhou Investing Management Limited (樅樹(蘇州)投資管理有限公司)(1)	The PRC, limited liability company	Note 5	51%	–	Dormant, the PRC
Zhonganxin Zhixing (Beijing) Technology Co., Ltd. (中安信智行(北京)科技有限公司) ("ZAXZX")(1)	The PRC, limited liability company	Note 5	51%	–	Sales of automobiles, the PRC
Renmin Zhixing Tianjin Technology Co., Ltd (人民智行(天津)科技有限公司)(1)	The PRC, limited liability company	Note 5	51%	–	Dormant, the PRC

Notes:

(1) The official names of these entities are in Chinese. The English names are for identification purpose only.

(2) On 21 June 2019, Glory Tower and Colourful Sky were incorporated in the BVI as special purpose vehicles to hold shares and benefit derived from shares to be granted eligible grantees under Incentive Schemes to be adopted. As the Company has the power to govern the relevant activities of Glory Tower and Colourful Sky and can derive benefits from the contributions of the eligible management and employees, the directors of the Company consider that it is appropriate to consolidate Glory Tower and Colourful Sky.

(3) No capital has been injected to these companies, and the companies were newly established in 2020.

(4) No capital has been injected to these companies, and the companies were newly established in 2021.

(5) The companies were newly acquired in 2021. The acquisition was determined to be an asset acquisition as they did not contain outputs or a substantive process as at the date of acquisition, therefore it does not constitute a business under IFRS 3. The non-controlling interest is a company owned by the ultimate shareholder of the Company, Mr. Xu.

(6) The company is newly established in 2021, with the non-controlling interest held by an independent third party.

30 Subsidiaries (continued)

(a) Non-controlling interest

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Summarised statement of financial position			
	Weinet		ZAXZX	
	Year ended 31 December		Year ended 31 December	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	7	–	30,318	–
Current liabilities	–	–	15,630	–
Current net assets	7	–	14,688	–
Non-current assets	38,935	–	–	–
Non-current liabilities	(2,234)	–	(15,420)	–
Non-current net assets/(liabilities)	36,701	–	(15,420)	–
Net assets/(liabilities)	36,708	–	(732)	–
Accumulated non-controlling interests	131	–	(453)	–

	Summarised statement of comprehensive income			
	Weinet		ZAXZX	
	Year ended 31 December		Year ended 31 December	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	–	–	10,738	–
Profit/(loss) for the year	6,708	–	(590)	–
Profit/(loss) allocated to non-controlling interests	131	–	(311)	–

30 Subsidiaries (continued)

(a) Non-controlling interest (NCI) (continued)

	Summarised statement of cash flows			
	Weinet		ZAXZX	
	Year ended 31 December		Year ended 31 December	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from/(used in) operating activities	7	–	(5,367)	–
Cash flows used in investing activities	(30,000)	–	(400)	–
Cash flows from financing activities	30,000	–	28,232	–
Net increase in cash and cash equivalents	7	–	22,465	–

31 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, to joint control over the party or exercise significant influence over the other party in making financial and operation decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

(a) Names and relationships with related parties

(i) Ultimate shareholder of the Group

Mr. Xu Chong

(ii) Ultimate parent

X Technology Group Inc.

(iii) Subject to common control of ultimate shareholders

Beijing Congshu Management Consulting Center (北京樅樹管理諮詢中心)

31 Related party transactions (continued)

(b) Transactions with related parties

The following transactions were carried out which relate parties:

	2021 RMB'000	2020 RMB'000
Interest expense for loan from a shareholder	380	–
Acquisition of subsidiaries from a shareholder	45	–
	425	–

(c) Balances with shareholders – non-trade

Amounts due from shareholders were unsecured, interest-free and repayable on demand as at 31 December 2020. The balance as at 31 December 2020 were settled by the shareholders in full before the proposed initial public offering of shares of the Company.

The carrying amounts of amounts due from shareholders are approximated to their fair values and were denominated in US$.

31 Related party transactions (continued)

(d) Key management compensation

Key management includes Executive Directors and senior management of the Group.

Compensation of the key management personnel of the Group, including directors' remuneration as disclosed in Note 8 to the consolidated financial statements, was as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Wages, salaries and bonuses	3,085	3,563
Pension costs – defined contribution plans	166	33
Other social security costs, housing benefits and other employee benefits	14,475	6,339
	17,726	9,935

32 Convertible redeemable preference shares

On 27 May 2019, 25,000,000 Series A Preferred Shares was created by redesignating the authorised but unissued ordinary shares. After the re-designation, the authorised share capital of the Company became 475,000,000 ordinary shares and 25,000,000 Series A Preferred Shares. On the same day, pursuant to the Pre-IPO Investment Agreement, the Company allotted and issued 25,000,000 Series A Preferred Shares to the Pre-IPO investor, LYL Weihui Limited, credited as fully paid, for a total consideration of RMB50,000,000.

Pursuant to clause 4.6.3 of the Pre-IPO Shareholder's Agreement signed between the Company and the pre-IPO investor, the Series A Preferred Shares were converted to ordinary shares on 21 June 2019. However, according to clause 4.6.2 of the Pre-IPO Shareholder's Agreement, the ordinary share can be converted back to Series A Preferred Shares when the listing event has been denied, rejected or dismissed. Hence, the abovesaid ordinary shares continued to be recognised as Series A Preferred Shares according to the substance.

(a) Conversion feature

Each Series A Preferred Share may, at the option of the holder, be converted at any time after the original issue date into fully-paid ordinary shares at an initial conversion ratio of 1:1 subject to adjustment for share split, ordinary share dividends and distributions, reorganisation and other similar capitalisation events.

32 Convertible redeemable preference shares (continued)

(b) Redemption feature

The shareholders of preferred shares may give a written notice to the Company at any time or from time to time requesting redemption of all or part of their preferred shares under specific conditions as provided in the Pre-IPO Shareholder's Agreement.

The Company shall redeem the preferred shares if (i) the Company has failed to apply for the initial public offering on or before the 31 December 2021, or the Company has failed to obtain listing status by 31 December 2021; or (ii) the Group or the founding shareholder maliciously violate the clauses or fail to perform their obligations as stated in the Pre-IPO Shareholder's Agreement; or (iii) the Group has failed its profit guarantee to a) obtain accumulated net profit of 2020 and 2021 by RMB80,000,000 after exclusion of non-operating income and expenses; or b) obtain net profit by RMB40,000,000 after exclusion of non-operating income and expenses; or (iv) the founding shareholder or its related party misappropriate the Group's funds or other assets.

In addition, each Series A Preferred Share shall automatically be converted into fully-paid ordinary shares based on the then-effective applicable conversion price upon the listing documents submission date. The ordinary share can be converted back to Series A Preferred Shares when the listing event has been denied, rejected or dismissed.

The redemption price shall be paid by the Company to the Preferred Shares holder by the amount equal to the issue price of the Series A Preferred Shares, plus a ten percent (10%) per annum single interest of the issue price on each Series A Preferred Shares accrued during the period from the issue date of each Series A Preferred Shares until the date stated on redemption notice on which the Series A Preferred Shares are to be redeemed, net with any paid dividends.

(c) The movement of the convertible redeemable preferred shares is set out as below:

	RMB'000
As at 1 January 2020	48,377
Changes in fair value	(636)
As at 31 December 2020 and 1 January 2021	47,741
Conversion of convertible redeemable preferred shares (Note 23 (a)(ii))	(47,741)
As at 31 December 2021	–

32 Convertible redeemable preference shares (continued)

(d) The Group has used the market approach to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the Series A Preferred Shares as at the date of issuance and at the end of each reporting period.

The Group estimated the risk-free interest rate based on the CNY China Sovereign Bond. The DLOM was estimated based on the option-pricing method. Volatility was estimated based on historical volatility of comparable companies for a period from the respective valuation date and with similar span as time to expiration. Probability weight under each of the conversion feature and redemption feature was based on the Group's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Series A Preferred Shares on each valuation date.

33 Share-based payments

On 25 June 2019, the Group adopted the RSU Scheme and SA Scheme, to incentivise the Group's directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

On 25 December 2020, the board of directors of the Company has resolved to grant 17 employees under the RSU Scheme 2,170,000 restricted share units (representing 2,170,000 underlying shares of the Company) and 5 employees under the SA Scheme 80,000,000 share awards (representing 80,000,000 underlying shares of the Company).

On 14 January 2021 (the "Grant date"), the Company has granted the above restricted share units and share awards to the selected employees.

The fair value of the restricted share units and the share awards are measured at the Grant date. The vesting period of the restricted share units and the share awards started on 25 December 2020, which is the date when the employees were aware of the RSU Scheme and SA Scheme and has begun providing services to satisfy the condition attached to the schemes.

As at 31 December 2020 and 2021, the shares of the Company underlying the restricted share units and the share awards that will be granted were held by the RSU Nominee and SA Nominee, respectively.

The RSU Scheme and SA Scheme will be valid and effective for a period of ten years, commencing from its adoption date, being 25 June 2019.

33 Share-based payments (continued)

RSU Scheme

The restricted share units granted to each of the employees will be vested in 4 years, subject to certain performance criteria and service condition of the employees. Every 25% of the granted restricted share units are vested on 1 April of each year, through 1 April 2022 to 1 April 2025 respectively. The restricted share units are exercisable prior to the earlier of the termination of the employees' employment or the 10th anniversary of the Grant date.

The weighted average Grant date fair value per each restricted share unit amounted to RMB0.01.

The fair value of the restricted share units was calculated based on the estimated market price of the Company's shares at the Grant date factored in the probability of vesting per Monte Carlo Simulation.

The total expenses recognised in the consolidated statement of comprehensive income for the restricted share units granted to the Group's employees under the RSU Scheme are RMB15,000 for the year ended 31 December 2021 (2020: RMB1,000).

The restricted share units granted subsequent to the year end date have been vesting during the year ended 31 December 2021 and 2020, set out below is the summary of restricted share units granted under the RSU Scheme:

	At the Grant date		
	Vesting Period	Fair value per restricted share unit RMB'000	Number of restricted share units granted
Tranche 1	25 December 2020 – 1 April 2022	17	542,500
Tranche 2	2 April 2022 – 1 April 2023	2	542,500
Tranche 3	2 April 2023 – 1 April 2024	2	542,500
Tranche 4	2 April 2024 – 1 April 2025	–	542,500
Total			2,170,000
Vested and exercisable at 31 December 2021 and 2020		–	–

33 Share-based payments (continued)

SA Scheme – granted to the Chief Financial Officer ("CFO") of the Group

Share awards of 20,000,000 (representing 20,000,000 underlying shares of the Company) were granted to the CFO on 14 January 2021. The share awards granted to the CFO was fully vested upon the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (15 January 2021).

The weighted average Grant date fair value per each share award amounted to RMB1.04.

The fair value of the share awards was calculated based on the estimated market price of the Company's shares at the Grant date factored in the marketability discount.

The total expenses recognised in the consolidated statement of comprehensive income for the share awards granted to the CFO under the SA Scheme are RMB14,276,000 for the year ended 31 December 2021 (2020: RMB6,100,000).

SA Scheme – granted to the other selected employees of the Group

Share awards of 60,000,000 (representing 60,000,000 underlying shares of the Company) were granted to the selected employees on 14 January 2021. The share awards granted to the selected employees will be vested in 4 years, subject to certain performance criteria and service condition of the employees. Every 25% of the granted restricted share units are vested on 1 April of each year, through 1 April 2022 to 1 April 2025 respectively.

The weighted average Grant date fair value per each share award amounted to RMB0.01.

The fair value of the share awards was calculated based on the estimated market price of the Company's shares at the Grant date factored in the probability of vesting per Monte Carlo Simulation.

The total expenses recognised in the consolidated statement of comprehensive income for the share awards granted to the selected employees under the SA Scheme are RMB403,000 for the year ended 31 December 2021 (2020: RMB7,000).

33 Share-based payments (continued)

SA Scheme – granted to the other selected employees of the Group (continued)

The share awards granted have been vesting during the year ended 31 December 2020, set out below is the summary of share awards granted under the SA Scheme:

	At the Grant date		
	Vesting Period	Fair value per restricted share unit RMB'000	Number of restricted share units granted
Tranche 1	25 December 2020 – 1 April 2022	493	15,000,000
Tranche 2	2 April 2022 – 1 April 2023	44	15,000,000
Tranche 3	2 April 2023 – 1 April 2024	2	15,000,000
Tranche 4	2 April 2024 – 1 April 2025	–	15,000,000
Total			60,000,000
Vested and exercisable at 31 December 2021 and 2020		–	–

34 Financial asset at FVOCI

On 6 March 2020, the Group subscribed for 15% of the registered capital of Leikewo (Beijing) Technology Limited (雷柯沃（北京）科技有限公司) ("Leikewo") at a cash consideration of RMB150,000. Leikewo is principally engaged in automobile advertising service in the PRC.

On 6 March 2020, management has assessed the level of influence that the Group has on Leikewo and determined that it has significant influence even though the shareholding is below 20% because of the representation in meetings which govern the financial and operating decisions of Leikewo. Therefore, Leikewo has been classified as an associated company.

On 31 December 2020, a shareholders' resolution was passed and a shareholders' agreement was signed to change the structure of the financial and operating decisions of Leikewo. The Group is no longer entitled the rights in nominating directors nor being nominated to be the director of Leikewo. Since then, the Group has lost the significant influence on Leikewo.

The movement of the financial asset at FVOCI for the year ended 31 December 2020:

	2021 RMB'000	2020 RMB'000
Opening balance 1 January	388	–
Acquisitions	–	388
Fair value changes	30	–
Closing balance 31 December	418	388

35 Loan from a shareholder

On 25 June 2021, a shareholder of the Group, Mr. Xu, granted a loan of RMB2,000,000 to ZAXZX, a subsidiary of the Group. The loan was unsecured, at 6% interest rate per annum, denominated in RMB and is repayable in one year from the drawdown date on 25 June 2021.

On 10 September 2021, a minority shareholder of a subsidiary of the Group has granted a loan of RMB12,740,000 to the subsidiary, in portion to its equity interest in this subsidiary. The minority shareholder is a company owned by the ultimate shareholder of the Company, Mr. Xu. The loan was unsecured, at 6% interest rate per annum, denominated in RMB and is repayable in three years from the drawdown date on 10 September 2021.

36 Statement of financial position and reserve of the Company

	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	114,681	99,987
Current assets		
Prepayments and other receivables	93	46
Amounts due from shareholders	–	310
Amounts due from subsidiaries	33,588	2,883
Financial assets at fair value through profit or loss	10,963	40,532
Cash and cash equivalents	172,313	2,011
	216,957	45,782
Total assets	331,638	145,769
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	840	655
Share premium	246,004	–
Treasury shares	(20,032)	(69)
Reserves	114,492	99,798
Accumulated loss	(9,813)	(2,397)
Total equity	331,491	97,987
LIABILITIES		
Current liabilities		
Accruals and other payables	147	41
Convertible redeemable preference shares	–	47,741
Total liabilities	147	47,782
Total equity and liabilities	331,638	145,769

The statement of financial position of the Company were approved by the Board of Directors on 28 March 2022 and were signed on its behalf.

Xu Chong
Director

Zhu Boyang
Director

36 Statement of financial position and reserve of the Company (continued)

(a) Reserve of the company

	Reserves RMB'000	Share-based payment reserve RMB'000	Retained earnings/ (accumulated loss) RMB'000
As at 1 January 2020	93,690	–	947
Loss for the year	–	–	(3,344)
Employee share-based compensation scheme:			
– value of employee service (Note 34)	–	6,108	–
As at 31 December 2020	93,690	6,108	(2,397)
Loss for the year	–	–	(7,416)
Employee share-based compensation scheme:			
– value of employee service (Note 34)	–	14,694	–
As at 31 December 2021	93,690	20,802	(9,813)

Note: Reserves mainly comprises amounts arise as a result of the reorganisation in 2019.

37 Subsequent events

Following the outbreak of Coronavirus Disease 2019, its variant "Omicron" has developed severely in early 2022. The Group will pay close attention to the development of the outbreak and evaluate its impact on the financial position and operating results of the Group in 2022. Pending development of such subsequent non-adjusting event, the Group's financial results for the year ending 31 December 2022 may be affected, the extend of which could not be estimated as at the date of approval of these consolidated financial statements.

Definitions

In this annual report, the following expressions have the meanings set out below unless the context otherwise requires:

"AGM"	the forthcoming annual general meeting of the Company to be held on Tuesday, May 17, 2022
"App"	application, a program designed to run on a mobile device
"Articles of Association"	the third amended and restated articles of association of our Company, conditionally adopted on December 8, 2020 with effect from the Listing Date, a summary of which is set out in Appendix III to this prospectus, and as amended, supplemented or otherwise modified from time to time
"Auditor"	PricewaterhouseCoopers
"Beihai April"	Beihai April Travel Digital Technology Company Limited (北海四月行數字科技有限公司), a limited liability company established under the laws of the PRC on December 26, 2019, a direct wholly-owned subsidiary of Congshu Beijing, one of our Consolidated Affiliated Entities and is deemed to be an indirect wholly-owned subsidiary of our Company pursuant to the Contractual Arrangements
"Beijing Lianche"	Beijing Lianche Technology Company Limited (北京聯車科技有限公司), a limited liability company established under the laws of the PRC on May 29, 2020, a direct wholly-owned subsidiary of Congshu Internet, and is an indirect wholly-owned subsidiary of our Company
"Beihai Media"	Beihai Congshu Advertising Media Company Limited (北海樅樹廣告傳媒有限公司), a limited liability company established under the laws of the PRC on December 18, 2019, a direct wholly-owned subsidiary of Congshu Beijing, one of our Consolidated Affiliated Entities and is deemed to be an indirect wholly-owned subsidiary of our Company pursuant to the Contractual Arrangements
"Board" or "Board of Directors"	board of directors of the Company
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Chairman"	chairman of the Board

"China" or "PRC"	the People's Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of China herein
"CIC"	China Insights Industry Consultancy Limited, a market research and consulting company to conduct research and analysis of, and to produce an industry report of the automobile vertical media advertising industry in China
"Company" or "the Company"	Cheshi Technology Inc. (車市科技有限公司) (previously known as Cheshi Holdings Limited), an exempted company incorporated in the Cayman Islands on November 22, 2018 with limited liability and the Shares are listed on the Main Board of the Stock Exchange on January 15, 2021 (Stock code: 1490)
"Congshu Beijing"	Congshu Beijing Technology Company Limited (樅樹(北京)科技有限公司), a limited liability company established under the laws of the PRC on September 28, 2015, one of the Company's Consolidated Affiliated Entities and is deemed to be an indirect wholly owned subsidiary of the Company pursuant to the contractual arrangements
"Congshu Hubei"	Congshu Hubei Technology Company Limited (樅樹(湖北)科技有限公司), a limited liability company established under the laws of the PRC on June 1, 2018, a direct wholly-owned subsidiary of Congshu Beijing, one of our Consolidated Affiliated Entities and is deemed to be an indirect wholly owned subsidiary of our Company pursuant to the Contractual Arrangements
"Congshu Internet"	Congshu Beijing Internet Technology Company Limited (北京樅樹互聯科技有限公司), a limited liability company established under the laws of the PRC on January 30, 2019 and is the Group's indirect wholly-owned subsidiary

Definitions

"Consolidated Affiliated Entities"	the entities the Group controls through the Contractual Arrangements, namely Congshu Beijing and its wholly-owned subsidiaries, Congshu Hubei, Beihai April and Beihai Media, details of which are set out in "History, Reorganization and Corporate Structure" of the Prospectus
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Congshu Beijing, Congshu Internet and the Registered Shareholders, details of which are described in "Contractual Arrangements" of the Prospectus
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules and in the context of this prospectus, refers to the controlling shareholders of our Company, being Mr. Xu and X Technology
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"Director(s)"	director(s) of the Company
"Global Offering"	the Hong Kong Public Offering of 20,400,000 Shares for subscription by the public in Hong Kong and the International Offering (as defined respectively in the Prospectus) of initially 183,600,000 Shares for subscription by the institutional, professional, corporate and other investors
"Group", "the Group", "we", "us", or "our"	the Company, its subsidiaries and its Consolidated Affiliated Entities, or where the context refers to any time prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$" or "HK cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"IT"	information technology
"Listing"	listing of the Shares on the Main Board of the Stock Exchange

"Listing Date"	January 15, 2021, the date on which the Shares of the Company were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Li"	Mr. Li Anding (李安定), an investor who has invested in our Group through ADYM Investments Limited, and currently holds 3.95% of the entire issued share capital of the Company
"Mr. Xu"	Mr. Xu Chong (徐翀), a founder, an executive Director, chairman of the Board, the chief executive officer of the Company and a Controlling Shareholder
"Online Advertising Service"	one of the Group's two business segments, in which revenue is generated primarily by providing a range of advertising services and advertising solutions to our advertising agency, automaker and autodealer customers
"PC"	personal computer
"PGC"	professionally-generated content
"Picker"	the intelligent internet platform that serves content distribution
"Prospectus"	the prospectus of the Company dated December 31, 2020
"Registered Shareholders"	collectively, Mr. Xu and Mr. Li, being the direct shareholders of Congshu Beijing
"Reporting Period"	the year ended December 31, 2021
"RMB"	Renminbi, the lawful currency of the PRC
"RSU"	restricted share unit
"RSU Nominee"	Glory Tower Investments Limited, a BVI business company incorporated under the laws of the BVI on May 30, 2019 and an indirect wholly-owned subsidiary of the Core Trust Company Limited, which holds the Shares underlying the RSUs for the benefit of eligible participants pursuant to and under the RSU Scheme

Definitions

"RSU Scheme"	the RSU scheme approved and conditionally adopted by the Shareholders on June 25, 2019, the principal terms of which are set forth in "Statutory and General Information – G. RSU Scheme and SA Scheme – 1. RSU Scheme" in Appendix IV to the Prospectus
"SA Nominee"	Colourful Sky International Limited, a BVI business company incorporated under the laws of the BVI on May 29, 2019 and an indirect wholly-owned subsidiary of the Core Trust Company Limited, which holds the shares underlying the restricted share awards for the benefit of eligible participants pursuant to and under the SA Scheme
"SA Scheme"	the restricted share award scheme approved and conditionally adopted by the Shareholders on June 25, 2019, the principal terms of which are set forth in "Statutory and General Information – G. RSU Scheme and SA Scheme – 2. SA Scheme" in Appendix IV to the Prospectus
"SaaS"	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
"Share(s)"	ordinary share(s) in the issued capital of the Company with nominal value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction Facilitation Service"	one of the Group's two business segments, in which revenue is derived primarily by offering services and solutions to promote group-purchase events for autodealers and an insurance company
"US$"	U.S. dollars, the lawful currency of the United States of America
"X Technology"	X Technology Group Inc., a BVI business company incorporated under the laws of the BVI with liability limited by shares on November 19, 2018, which is wholly-owned by Mr. Xu and formerly known as XC Group Limited
"%"	per cent