



驴迹科技
LVJI TECHNOLOGY

Lvji Technology Holdings Inc.
驴迹科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1745

Annual Report 2021





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zang Weizhong
(Chairman and Chief Executive Officer)
Mr. Wang Lei (appointed on 7 July 2021)
Mr. Liu Hui (appointed on 7 July 2021)

Non-executive Director

Mr. Cheung King Him Edmund
Mr. Fan Baoguo (resigned on 11 October 2021)

Independent Non-executive Directors

Ms. Gu Jianlu
Ms. Wu Daxiang
Ms. Gu Ruizhen

AUDIT COMMITTEE

Ms. Gu Jianlu *(Chairlady)*
Ms. Wu Daxiang
Ms. Gu Ruizhen

REMUNERATION COMMITTEE

Ms. Gu Jianlu *(Chairlady)*
Mr. Zang Weizhong
Ms. Gu Ruizhen

NOMINATION COMMITTEE

Ms. Wu Daxiang *(Chairlady)*
Ms. Gu Ruizhen
Ms. Gu Jianlu

COMPANY SECRETARY

Ms. Lam Shi Ping, *ACG, HKACG*

AUTHORIZED REPRESENTATIVES

Mr. Zang Weizhong
Ms. Lam Shi Ping, *ACG, HKACG*

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Tianhe District
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The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F., 148 Electric Road
North Point
Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Cayman Islands

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As to Hong Kong law
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COMPLIANCE ADVISOR

Giraffe Capital Limited
3/F, 8 Wyndham Street
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Hong Kong

INDEPENDENT AUDITOR

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27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

PRINCIPAL BANKS

China Construction Bank Corporation
(Guangzhou Gaoxin District Tianhe Science and
Technology Park Sub-branch)
No.101, 1/F, 1021 Gaopu Road
Tianhe District, Guangzhou
The PRC

Bank of China
(Guangzhou Zhihuicheng Sub-branch)
No.1933 Huaguan Road
Tianhe District, Guangzhou
The PRC

China Merchants Bank
(Science and Technology Park Sub-branch)
1/F, Block A, Guangzhou Information Port
No.33-49 Keyun Road
Tianhe District, Guangzhou
The PRC

China Construction Bank Corporation
(Huoerguosi Ya Ou Bei Lu Sub-branch)
No.1 Ya Ou Bei Lu
Huoerguosi Port
Ili, Xinjiang
The PRC

STOCK CODE

1745

COMPANY'S WEBSITE

www.lvji.cn

Key Highlights

For the year ended December 31, 2021:

- Revenue increased by approximately 29.4% year-to-year to RMB381.7 million from RMB295.1 million in 2020.
- Gross profit increased by approximately 56.4% year-to-year to RMB116.8 million from RMB74.7 million in 2020; gross profit margin increased from 25.3% in 2020 to 30.6% in 2021.
- Excluding one-off listing expenses which were expenses not incurred in our ordinary course of business and the non-recurring non-cash impairment loss of intangible assets which was primarily due to COVID-19 as explained in the paragraph headed “Other Expenses” in this annual report, our adjusted profit for the year (a non-GAAP measure) amounted to approximately RMB13.0 million compared to adjusted profit of approximately RMB9.4 million recorded for the year of 2020.
- Net cash flows from operating activities increased significantly by 136.1% from RMB39.2 million in 2020 to RMB92.7 million in 2021.
- Loss for the year amounted to approximately RMB549.6 million compared to the loss for the year of 2020 of approximately RMB100.6 million.

1. FINANCIAL SUMMARY

	Year ended December 31,		Year-to-year change
	2021 (RMB'000)	2020 (RMB'000)	
Revenue	381,712	295,051	29.4%
Gross profit	116,825	74,678	56.4%
Loss before tax	(541,944)	(98,844)	448.3%
Loss for the year	(549,617)	(100,647)	446.1%
Net loss margin	(144.0)%	(34.1)%	(109.9) percentage points
Adjusted profit for the year excluding listing expenses and impairment loss of intangible assets ⁽¹⁾	12,981	9,361	38.7%
Adjusted net profit margin excluding listing expenses and impairment loss of intangible assets ⁽¹⁾	3.4%	3.2%	0.2 percentage point

* Non-GAAP measure

Note:

⁽¹⁾ Listing expenses for the year ended December 31, 2021 and 2020 were nil and RMB39.6 million, respectively.

2. OPERATING METRICS

	Year ended December 31,		Change (number)
	2021	2020	
Online tour guides developed	35,315	26,052	9,263

Chairman's Statement

BUSINESS REVIEW AND OUTLOOK

During the Reporting Period, the local epidemic situation in China showed a landscape of sporadic and regional outbreak intertwined and superimposed. The tourism industry as a whole faced a certain degree of uncertainty, becoming one of the industries most affected by the epidemic. At the stage when the epidemic was effectively controlled, the demand for travel rebounded rapidly, the number of trips increased significantly, and the Company's performance was also actively recovering. Since the second half of 2021, variants of the virus have spread rapidly overseas. In order to prevent and control the spread of the epidemic in China, some regions of the country have implemented lockdown or control measures, and tourism was inevitably restricted, resulting in obvious fluctuations in the recovery of the tourism economy in the second half of the year. In addition, revenue from online tour guides outside the PRC is still in a state of "being on the alert" due to the impact of international tourism not opened yet.

Despite resurging of the epidemic, the Company has formulated a business strategy to deal with the impact of the epidemic. Moreover, with our leading market position in online tour guides, excellent product and service experience, and flexible business strategy, the Company was able to respond quickly to market changes and developed steadily by seizing the opportunity of tourism recovery. As compared with the same period last year, total revenue has increased by 29.4% due to the increase in sales of online tour guides, while the strategy of "increasing revenue and reducing expenditure" has made initial results as a result of our adoption of proactive measures to control the operating cost.

With our industry-leading technology edge and outstanding product performance, we have also been well recognized by the market. In October 2021, we were awarded the title of "Guangzhou Leading Private Enterprise (廣州市民營領軍企業)" by the Guangzhou Municipal Bureau of Industry and Information Technology and the tile of "Guangzhou Digital Economy Benchmark Enterprise 2021 (2021年度廣州數字經濟標桿企業)" by the Guangzhou Internet Society.

Results Highlights

- While the tourism industry is facing fluctuations and uncertainties due to the COVID-19 variants, the tourism industry has generally shown a good recovery, with the consumption demand for travel gradually picking up in 2021. Revenue from online tour guides continued to recover from the previous year and grew steadily, with total revenue increasing by 29.4% from RMB295.1 million in 2020 to RMB381.7 million in 2021.
- Benefiting from the steady growth in revenue, gross profit increased by 56.4% year-on-year from RMB74.7 million in 2020 to RMB116.8 million in 2021; gross profit margin increased from 25.3% in 2020 to 30.6% in 2021.

Chairman's Statement

- Adjusted profit excluding the non-recurring non-cash impairment loss of intangible assets and listing expenses as at December 31, 2021 increased by 38.7% year-on-year from RMB9.4 million in 2020 to RMB13.0 million in 2021. Adjusted profit margin increased to 3.4% from 3.2% in the same period in 2020. Loss for the year increased from RMB100.6 million in 2020 to RMB549.6 million in 2021, which is mainly due to the impairment loss of other intangible assets of approximately RMB562.6 million in 2021.
- Net cash flows from operating activities increased significantly by 136.1% from RMB39.2 million in 2020 to RMB92.7 million in 2021.
- The number of online tour guides we have developed also increased, and we had developed 35,315 online tour guides covering tourist attractions in China and overseas in 2021 (2020: 26,052).

Business Review

We continued to cultivate the domestic tourism market, actively seized the opportunity of China's tourism recovery, remained resilient and flexibly responded to changes in market demand. Despite the inevitable impact of the pandemic on our business, we still further consolidated our leading position in China's online tour guide industry. We continued to increase the number of tourist attractions covered by tour guides, and refined the content of our tour guides. We continued the in-depth cooperation with tourist attractions and tourism bureaus by focusing on schemes of all-round tourism and smart tourist attractions to help the digital upgrade as well as the recovery and development of the tourism industry. At the same time, we have been using new technologies and investing in research and development resources to enhance the production capacity of online tour guide and customized content, expand marketing channels, so as to continue to maintain our market leadership.

The types of tourist attractions for which we provide online tour guides include landscape, historical sites, cities, theme parks, zoos and botanical gardens, etc. In response to market demand under the normalized epidemic prevention and control, we increased the online tour guide coverage of tourist attractions on the peripheral tours and outskirts of cities to enhance our adaptability to market changes. In addition to a wide coverage of tourist attractions, we continuously optimized the original content of tour guides. Specifically, we carried out multi-dimensional technological innovation and content upgrading on online tour guides, optimized the quality of hand-painted maps to present more refined maps and highlight the characteristics of the tourist attractions; we upgraded and provided a variety of explanations, giving emotional and tonal labels to enhance the attractiveness of explanations; we enriched drawing style and optimized 3D hand-painted maps to present a graded tour guide, display the panorama of tourist attractions in a more intuitive manner and provide more interesting content for users to enhance the tourism experience. Furthermore, thanks to our extensive coverage of tourist attractions, we also became an ecological service provider of tour guide content for Alipay. As at December 31, 2021, we developed 35,315 online tour guides covering tourist attractions in China and overseas, which covered 288 AAAAA tourist attractions, 2,544 AAAA tourist attractions and 2,119 AAA tourist attractions in China.

Chairman's Statement

In relation to our SaaS business, we developed and continuously iterated on the product named “Digital View Pass (數景通)” with smart management, smart marketing and smart service as the core, offering digital marketing solutions for tourist attractions. By constructing smart mini programs, digital marketing system, smart tourist attractions system and private internet traffic system, the digital marketing system and delicacy operation system were constructed in tourist attractions and informationalized resources were integrated to meet the digital upgrading demand of various tourist attractions and the culture and tourism bureaus, so as to achieve new business growth in tourist attractions and enhance the operational and management efficiency of tourist attractions. We vigorously promoted and successfully delivered such product in several tourist attractions, and continued to iterate and optimize the version according to the feedback from the tourist attractions.

We established in-depth cooperation with the culture and tourism bureaus across China, aiming to change the service mode of the tourism industry and consumers' way of travelling. The all-rounded tour guide system we built contains high-definition exquisite hand-painted maps, which, combined with “location-based service” (LBS) precise positioning and local characteristics, comprehensively presents the information of tourist attractions, food recommendation, tourist center, parking lot, accommodation to provide consumers with all-round travel assurance and makes it easy for consumers to realize smart and convenient travel. We also upgraded a smart tourist attractions management service system to assist management departments of the government in efficient management and reasonable deployment of local tourism resources in the form of big data center, command center, Internet portal, etc. For example, in the tourist attractions operation service, the system can perform passenger flow control, big data heat map analysis, smart terminal remote unified management and artificial intelligence learning, which can deeply explore the consumption potential of consumers, improve the service experience of tourist attractions, increase the operation revenue of tourist attractions and help the digital upgrade of tourist attractions. During the Reporting Period, we successfully delivered several key projects of smart tourist attractions management service system. The revenue from sale of customized content was basically flat with that of last year, with revenue of approximately RMB12.8 million in 2021 (2020: RMB13.0 million).

Chairman's Statement

Business Outlook and Strategies

In the medium to long term, the effective implementation of prevention and control policies and the widespread vaccination of the COVID-19 vaccine will provide a boost to the future recovery of China's tourism industry, and the process of recovery will not stop. With the strong national support for "Internet + Tourism", the tourism industry will develop in the direction of digitization and intelligence. "Virtual reality", "smart tour guide" and "data monitoring" have become the basic requirements for tourist attractions to promote the construction of smart tourism. With the advocacy of the government to develop high-quality development of tourism with the help of technological innovation, it is expected that the penetration of online tourism products will increase continuously, and the digital development of China's tourism will accelerate once again and generate considerable potential for growth. At the same time, the on-going expansion of Chinese middle-class base and the demand for consumer upgrade will not change as the core drivers for the long-term development of the tourism industry. We are always confident in the future development prospects of the tourism industry. We will continue to focus on our core strategy in combination with the enterprise positioning of "China's leading culture and tourism industry chain service platform", maintain our leading position in online tour guide market, continue to lead the development of online tour guide industry, accelerate the digitization of tourist attractions, create smart solutions for tourist destinations and gradually build a service platform for the whole industry chain of culture and tourism.

In the future, taken into consideration of the "14th Five-Year Plan for the Development of the Tourism Industry" (《「十四五」旅遊業發展規劃》) issued by the State Council, which mentions the steady development of outbound tourism on the premise that the global COVID-19 epidemic is effectively controlled, and the "14th Five-Year Plan for the Development of the Civil Aviation" (《「十四五」民用航空發展規劃》) issued by the Civil Aviation Administration of China, which divides the development of civil aviation in the 14th Five-Year Plan into two phases: 2021-2022 is a period of recovery and accumulation, and 2023-2025 is a period of growth and release, with the focus on expanding the domestic market, recovering the international market, releasing the effectiveness of reform, improving the level of openness to the outside world, enhancing the momentum of innovation and development, accelerating the scale of capacity as well as quality and efficiency, and promoting the high-quality development of civil aviation on all fronts, we will flexibly adjust the coverage of online tour guide products in accordance with the market demand, and continuously optimize the content of our tour guide products to enhance the user experience of consumers; strengthen the innovation as well as research and development capability, continuously upgrade the products and services such as "Digital View Pass" and "Lvji Mobile Tour" to meet the demand of digital upgrading of tourist attractions, empower the marketing of tourist attractions and improve the operational efficiency of tourist attractions; deepen the sustainable cooperative relationship with local culture and tourism bureaus, and polish the all-rounded smart tour guide system. We will strive to build an industry chain of culture and tourism service platform to continue to strengthen our leadership market position; in the meantime, we will strictly manage our working capital and control the operating cost to ensure healthy cash flows and good cash position, and continue to identify merger and acquisition opportunities to promote our future growth.

Management Discussion and Analysis

Year ended December 31, 2021 compared to Year ended December 31, 2020

	2021 (RMB'000)	2020 (RMB'000)
REVENUE	381,712	295,051
Cost of sales	(264,887)	(220,373)
Gross profit	116,825	74,678
Other income and gains	20,401	9,929
Selling and distribution expenses	(73,665)	(39,273)
Administrative expenses	(41,418)	(72,822)
Other expenses	(563,906)	(71,018)
Finance costs	(181)	(338)
LOSS BEFORE TAX	(541,944)	(98,844)
Income tax expense	(7,673)	(1,803)
LOSS FOR THE YEAR	(549,617)	(100,647)
OTHER COMPREHENSIVE INCOME		
OTHER COMPREHENSIVE LOSS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		
Exchange differences on translation of financial statements	(7,555)	(22,210)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(7,555)	(22,210)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(7,555)	(22,210)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(557,172)	(122,857)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:		
Owners of the parent	(557,172)	(122,857)

Management Discussion and Analysis

REVENUE

We generate our revenue from sales of online tour guides through OTAs, to travel agencies and through Lvji APP, and from sales of customized content to administrators of tourist attractions and cultural sites. The following table sets forth a breakdown of our revenue for the years indicated:

	Year ended December 31,	
	2021 (RMB'000)	2020 (RMB'000)
Sale of online tour guides through OTAs	339,900	281,694
Sale of online tour guides to travel agencies	28,830	99
Sale of online tour guides through Lvji APP	156	256
Sale of customized content	12,826	13,002
Total revenue	381,712	295,051

Sale of Online Tour Guides

We provide comprehensive online tour guides to end users with respect to the tourist attractions that we cover. Our online tour guides can be purchased by the end users from OTAs, travel agencies and through our Lvji APP.

Sale of online tour guide through OTAs

We generated a substantial portion of our revenue from sale of online tour guides through OTAs in 2021. We provide our API to embedded portals or mini programs or APPs on the platform of OTAs in order for the end users to purchase our standard online tour guides for different tourist attractions. End users' access to our cloud system is through our H5 pages embedded into OTA's stand-alone APPs and mini programs by our open API. Our strategic alliance with major OTAs enables us to broaden our reach by leveraging the vast end user base of these OTAs.

We generated majority of our revenue from the sale of our online tour guides through OTAs, which accounted for approximately 89.0% of our total revenue in 2021. Revenue from the sale of online tour guides through OTAs increased by approximately 20.7% from RMB281.7 million in 2020 to approximately RMB339.9 million in 2021. The increase was primarily due to an increase in the number of tour guides purchased by consumers through OTAs with the continuous recovery of tourism industry. We present revenue from online tour guides business received from the OTAs on a gross basis as it represents the gross amount of unit price generated from the end users for the online tour guides we sold, while the concession fees retained by the OTAs are recorded as our cost of sales.

Management Discussion and Analysis

Sale of online tour guides to travel agencies

We sell online tour guides in a form of activation codes, which may be embedded in a physical card, to travel agencies, which in turn sell to the end users. The end user may input the activation code to access and use our online tour guides through our H5 pages, which can be accessed by official accounts of the travel agencies or the tourist attractions, our mini programs, or others.

The number of travel agencies we sold to increased from 85 in 2020 to 97 in 2021. Revenue from sale of online tour guides to travel agencies significantly increased from RMB0.1 million in 2020 to RMB28.8 million in 2021. The increase was mainly attributable to the continuous recovery of tourism industry and the demand for travel.

Sale of online tour guides through our Lvji APP

Tourists may access almost all of our online tour guides directly through our Lvji APP. It is available for download and mobile users can purchase online tour guides directly from us through the APP. The Lvji APP is built to enable access to our full online tour guides offerings with clear and functional interfaces. We offer certain location-based features that are only available on our Lvji APP, such as weather information, push notifications of nearby attractions, businesses or places of interest when the mobile APP detects that the user is arriving at such destinations or places, real time Chinese-to-English and English-to-Chinese translation features and enable sharing to social media platforms.

The number of registered users of our Lvji APP increased from 2,119,802 in 2020 to 2,196,319 in 2021. Revenue from sale of online tour guides through our Lvji APP remained relatively stable at RMB0.3 million in 2020 to RMB0.2 million in 2021.

Sale of Customized Content

We also sell customized online tour guide products and services to administrators of tourist attractions and to a lesser degree, cultural sites. We typically create bespoke, proprietary online tour guide contents for tourist attractions in a form of an independent APP or mini program or H5 pages commissioned by the administrators of the tourist attractions or cultural sites and charge one-time service fees.

Our comprehensive coverage of tourist attractions, quality online tour guides and advanced technology allow us to have a better understanding of the demand from the tourists. We mainly customize online tour guides for tourist attractions administrators and such guides may include AI commentaries, automatic positioning, and additional functions including big-data analysis, among others. The customized content services that we sell to cultural sites mainly focused on smart tourism and all-for-one tourism products based on the online tour guides for the tourist attractions in the region, including list of all tourist attractions in local cities and rural areas, navigation in the illustrated maps of tourist attractions, surrounding urban commercial services, among others.

The number of tourism attractions with customized online tour guide contents increased from 661 in 2020 to 700 in 2021. Revenue from sale of customized content remained relatively stable at RMB13.0 million in 2020 to RMB12.8 million in 2021.

Management Discussion and Analysis

COST OF SALES

Our cost of sales consists of concession fees retained by OTAs, amortization of other intangible assets, tax and expenses and costs of content customization.

The following table sets forth a breakdown of our cost of sales in absolute amount and as a percentage of total revenue for the years indicated:

	Year ended December 31,			
	2021	% of	2020	% of
	(RMB'000)	revenue	(RMB'000)	revenue
Online Tour Guide				
OTA concession fees	169,950	44.5	140,847	47.7
Amortization of other intangible assets	89,992	23.6	75,269	25.5
Tax and expenses	265	0.1	664	0.2
Content Customization	4,680	1.2	3,593	1.3
Total	264,887	69.4	220,373	74.1

Cost of sales increased by approximately 20.2% from RMB220.4 million in 2020 to RMB264.9 million in 2021. The increase was mainly due to (i) the increase in the OTA concession fees, which was attributable to the increase in our online tour guides sold through OTAs; (ii) the increase in amortization of other intangible assets, which was attributable to the increases in the number of tourist attractions we covered and the number of online tour guides we developed.

GROSS PROFIT

As a result of the foregoing, our gross profit increased by approximately 56.4% from approximately RMB74.7 million in 2020 to approximately RMB116.8 million in 2021 on a year-to-year basis. Our gross profit margin increased from approximately 25.3% in 2020 to 30.6% in 2021, which was mainly due to the increase of the revenue of online tour guides benefiting from the recovery of domestic travel business during the Reporting Period.

OTHER INCOME AND GAINS

Other income and gains increased by approximately 106.1% from RMB9.9 million in 2020 to RMB20.4 million in 2021. The increase was mainly due to the increase in foreign currency exchange gains.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 87.5% from RMB39.3 million in 2020 to RMB73.7 million in 2021. The increase was mainly due to the increase of promotion services of offline tourist attractions and online marketing expenses.

Management Discussion and Analysis

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 43.1% from RMB72.8 million in 2020 to RMB41.4 million in 2021. The decrease was mainly due to the decrease in one-off listing expenses.

OTHER EXPENSES

Other expenses mainly include impairment loss of intangible assets and other miscellaneous expenses. Other expenses increased from RMB71.0 million in 2020 to RMB563.9 million in 2021. The increase was mainly due to the impairment loss of other intangible assets of approximately RMB562.6 million in 2021 (2020: RMB70.4 million) which was appraised by an independent professional valuer.

The resurgence of COVID-19 cases in China led to tightened prevention and control measures, including lockdowns of several cities. Additionally, there are increasing uncertainties in the timing of domestic tourists being able to travel abroad. Therefore, as required under the Group's accounting policies on assets impairment when there are any indications of impairment that exist at the balance sheet date, the Company's management performed impairment testing on certain copyrights (the "Copyrights") representing 34,946 online tour guides which comprise illustrated maps, text and audio contents the Group procured from suppliers and were further developed and integrated into the Group's online tour guides in view of the significant decrease in number of and revenue from online tour guides sold to end users visiting the tourist attractions overseas. As of December 31, 2021, the carrying amount of certain copyrights (representing 30,024 out of 34,946 online tour guides) were written down to the recoverable amount of RMB77.3 million, with an impairment loss of RMB562.6 million charged to profit or loss during the Reporting Period.

The valuation was carried out on a value in use basis in accordance with International Accounting Standards ("IAS") 36, pursuant to which value in use is defined as "the present value of the future cash flows expected to be derived from an asset or Cash-generating Unit". The independent professional valuer has conducted valuation in accordance with the IAS issued by the International Valuation Standards Council. The value in use basis was developed through the application of the income approach technique known as the discounted cash flow method. This method eliminates the discrepancy in the time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to the operation of these overseas online tour guides.

Management Discussion and Analysis

In the valuation, it is assumed that the forecasted performances of the subject assets and the Company's projected business can be achieved with the effort of management. Regarding the performance forecast of the subject assets for the next five years, the management has made forecasts in terms of sales volume and unit price for two different markets, namely domestic and overseas (including Hong Kong, Macau and Taiwan):

1. In the performance forecast for the domestic market, the sales volume forecast for the subject assets in 2022 is mainly based on the average sales volume in 2020 and 2021, and the sales volume forecast for 2023 to 2026 is based on different growth rates of 2.2% to 8.1% in the provinces and cities where online tour guide is located, with the growth rates of online tour guide sales in each province and city mainly taking into account the expected economic trends thereto. The unit sales price of the subject asset is projected at a rate of 1.93% per annum based on the actual average unit sales price in the first quarter of 2022, which is derived by calculating the average annual growth rate of the consumer price index for education, culture and entertainment (data sourced from National Bureau of Statistics) for 2016 to 2021.
2. In the performance forecast for the overseas (including Hong Kong, Macau and Taiwan) markets, the sales volume forecast for the subject assets in 2022 is mainly based on the actual sales volume in the first quarter of 2022 and also takes into account the impact of unstable international factors such as the epidemic policy on the number of outbound travelers from geopolitical situation in overseas market. The sales volume for 2023 to 2026 is projected at the growth rate of 15% to 25% taken into consideration of the "14th Five-Year Plan for the Development of the Tourism Industry" (《「十四五」旅遊業發展規劃》) issued by the State Council and the "14th Five-Year Plan for the Development of the Civil Aviation" (《「十四五」民用航空發展規劃》) issued by the Civil Aviation Administration of China. The unit sales price of the subject assets is based on the average unit sales price in the first quarter of 2022 and remains constant for future years in consideration of higher pricing in overseas markets and continued consumer attraction.

Management Discussion and Analysis

The key assumptions are listed as follows:

No.	Item	Key Factors	Value	Reference
1	Cost	Sales Cost		Amortization expenses of corresponding copyrights
		Operation Cost	17.2%	Average ratio of last 3 years
2	Depreciation and Amortization	Fixed Asset Depreciation Expense	0.81%	Average ratio of last 3 years as at the Valuation Date
		Right of Use Assets Amortization Expense	0.43%	Average ratio of last 3 years as at the Valuation Date
3	Tax	Tax Rate	15.00%/25.00%	
4	Remaining Life	Remaining Life	0.1–10 years	The remaining amortization useful life of copyrights
5	Working Capital	Working Capital	8.33%	The collection period of revenue relating to online tour guides is estimated to be one month
6	Capital expenditure (CAPEX)	CAPEX		Assumed the maintenance expenditure, equal to current depreciation and amortization
7	Growth rate	Growth rates over the next 5 to 10 years	2.5%	Reference forecast of expected economic growth rate in 5 years

The after-tax discount rate was 17% (pre-tax rate: 25.36%) for the Copyrights, considering the current market situation, business risk and the expected return from the intangible asset related businesses.

The Copyrights were initially recognised and measured at cost incurred and there were no inputs and assumptions adopted then. The above-mentioned inputs and assumptions were adopted for the first time in the valuation model with reference to the Group's operations and performance.

INCOME TAX

We recorded an income tax expense of RMB7.7 million in 2021 compared to approximately RMB1.8 million in 2020, which was mainly due to the increase in taxable income.

Management Discussion and Analysis

LOSS FOR THE YEAR

Loss for the year increased year-to-year to loss of RMB549.6 million in 2021 from loss of RMB100.6 million in 2020. Excluding one-off listing expenses which were expenses not incurred in our ordinary course of business and the non-recurring non-cash impairment loss of intangible assets which was primarily due to COVID-19 as explained in the paragraph headed “Other Expenses” in this annual report, our adjusted profit for the year (a non-GAAP measure) increased by approximately 38.7% year-to-year to profit of RMB13.0 million in 2021 from profit of RMB9.4 million in 2020. Our adjusted net profit margin (a non-GAAP measure) increased from adjusted net profit margin of 3.2% to adjusted net profit margin of 3.4% in 2021. The increase in our adjusted net profit margin was mainly due to the increase in gross profit margin.

Reference is made to the announcement of the Company dated March 1, 2022 (the “Profit Alert Announcement”) in relation to the profit alert of the results of the Company for the year ended December 31, 2021. It was stated that the Group expected to record a net loss of not more than RMB3.5 million in 2021 in the Profit Alert Announcement. The actual loss is significantly more than that in the Profit Alert Announcement mainly due to the impairment loss recognized in respect of intangible assets of RMB562.6 million. The significant increase in the amount of impairment loss was mainly due to the resurgence of COVID-19 cases in China which led to tightened prevention and control measures, including lock-downs of several cities. There were also increasing uncertainties in the timing of domestic tourists being able to travel abroad. In assessing the amount of impairment loss in relation to online tour guides sold to end users visiting tourist attractions, the management of the Company took a more conservative view in estimating related future cash flows, which led to a significant increase in the amount of impairment loss. Please refer to the paragraph headed “Other Expenses” in this annual report for details of the impairment loss.

OTHER FINANCIAL INFORMATION

Liquidity and Capital Resources

We fund our liquidity needs mainly from net cash generated from our operation and the net proceeds received from the Global Offering. We have adopted a prudent financial management approach towards our treasury management policies and thus maintained a healthy liquidity position throughout 2021. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors our liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet our funding requirements from time to time.

As of December 31, 2021, we had cash and cash equivalents of approximately RMB359.7 million (2020: RMB516.4 million), net current assets of approximately RMB411.8 million (2020: RMB532.3 million) and total equity of approximately RMB583.2 million (2020: RMB1,140.4 million). Our current ratio determined by current assets divided by current liabilities was approximately 6.13 times as of December 31, 2021 (2020: 10.75 times). The decrease in our cash and cash equivalents, net current assets and current ratio was mainly due to the increase in other intangible assets. We had no bank borrowings as of December 31, 2021 (2020: Nil), and thus gearing ratio determined by bank borrowings divided by total equity was not applicable to us (2020: not applicable). Our cash and cash equivalents are denominated in RMB, Hong Kong dollars and US dollars.

Management Discussion and Analysis

The following table sets forth our cash flows for the periods indicated:

	2021 (RMB'000)	2020 (RMB'000)
Net cash flows from operating activities	92,662	39,242
Net cash flows used in investing activities	(244,750)	(205,191)
Net cash flows from financing activities	(2,728)	603,268
Net increase/(decrease) in cash and cash equivalents	(154,816)	437,319
Cash and cash equivalents at beginning of the year	516,385	77,323
Effect of exchange rate changes on cash and cash equivalents	(1,904)	1,743
Cash and cash equivalents at end of the year	359,665	516,385

Net Cash from Operating Activities

Our net cash from operating activities in 2021 was approximately RMB92.7 million. The cash inflow was a result of loss before tax of approximately RMB541.9 million mainly adjusted by:

- (i) a positive effect of impairment of other intangible assets;
- (ii) a positive effect of depreciation and amortization of other intangible assets; and
- (iii) a negative effect of movement in working capital, which mainly includes an increase in trade receivables, and prepayments, deposits and other receivables.

Net Cash used in Investing Activities

Our net cash used in investing activities in 2021 was approximately RMB244.8 million. The cash outflow was primarily attributable to:

- (i) additions of approximately RMB224.5 million to other intangible assets; and
- (ii) additions of approximately RMB43.1 million to investments measured at fair value through profit or loss.

Net Cash used in Financing Activities

Our net cash used in financing activities in 2021 was approximately RMB2.7 million. The cash outflow was mainly due to the principal portion of lease payments.

Capital Expenditure

Our capital expenditures consist of acquisition of property, plant and equipment and acquisition of other intangible assets.

Management Discussion and Analysis

Property, plant and equipment comprise mainly our furniture and fixtures, leasehold improvements and construction in progress. Property, plant and equipment decreased by approximately RMB1.7 million or 44.0%, which was mainly due to depreciation of property, plant and equipment of approximately RMB1.8 million.

Other intangible assets comprise copyrights and computer software and are amortized over their expected useful life. Other intangible assets decreased by approximately RMB420.3 million or 71.4%, which was mainly due to (i) the amortization of intangible assets of RMB90.0 million; and (ii) the impairment of intangible assets of RMB562.6 million.

Trade and Other Receivables

As at December 31, 2021, trade and other receivables amounted to approximately RMB97.0 million, representing an increase of 38.5% as compared with approximately RMB70.1 million as at December 31, 2020, primarily as a result of the increase of revenue from sales of online tour guides. Trade receivable turnover days for the year ended December 31, 2021 amounted to 32 days (2020: 41 days). This was mainly due to the accelerating collection of credit sales.

Trade and Other Payables

As at December 31, 2021, trade and other payables amounted to approximately RMB32.8 million, representing an increase of approximately 86.4% as compared with approximately RMB17.6 million as at December 31, 2020. This was mainly due to the increasing demands for online marketing services and the increase of value-added tax payable.

Treasury Management Policy

We have adopted a prudent financial management approach towards our treasury management policies and thus maintained a healthy liquidity position throughout 2021. We strive to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of our customers. To manage liquidity risk, the Board closely monitors our liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet our funding requirements from time to time.

Significant Investment, Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

We did not have any significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures in 2021.

Future Plans for Material Investments and Capital Assets

As stated in the Prospectus, approximately 6.5% (approximately HK\$37.7 million) of the net proceeds from the Listing is intended to use for upgrading our existing hardware and software and procuring servers and approximately 20% (approximately HK\$116.0 million) of the net proceeds from the Listing is intended to be used for strategic investments and acquisitions. For further details of the proposed use of the net proceeds from the Listing, please refer to the Prospectus.

Management Discussion and Analysis

During the year ended December 31, 2021, we have commenced the process of improving our development capabilities, but no actual purchases has been made.

Save as disclosed in the Prospectus and the announcement of investment in a limited partnership published on December 15, 2020, there was no other plans for material investments and capital assets during the year ended December 31, 2021 and up to the date of this annual report.

Employee and Remuneration Policies

As of December 31, 2021, we had a total of 217 full-time employees (2020: 248). The remuneration of the employees is determined based on their performance, experience, competence and market comparable. The Company has adopted the Share Option Scheme as an incentive to the employees, Directors and other eligible participants. Further details of which are described in the subsection headed “Statutory and General Information – D. Other Information – 1. Share Option Scheme” in Appendix IV to the Prospectus. As of December 31, 2021, no share options had been granted or agreed to be granted by us pursuant to the Share Option Scheme. In addition, the Company has adopted the Share Award Scheme to recognize contributions by employees and to provide them with incentives and to retain them for the continual operation and development of the Group. Further details of the Share Award Scheme are disclosed in the Company’s announcement dated January 21, 2022.

During the year ended December 31, 2021, the remuneration of Group’s employees amounted to RMB30,503,000 (2020: RMB30,732,000), which comprises of wages and salaries and pension scheme contributions.

As required by the PRC laws, we participate in various statutory employee benefit plans, including social insurance funds, namely a pension contribution plan, a medical insurance plan, a work-related injury insurance plan, maternity insurance, unemployment insurance and a housing provident fund. We are required under the PRC laws to contribute to employee benefit plans at specified percentages of salaries, bonuses and certain allowances of our employees up to a maximum amount specified by the local governments from time to time.

We primarily recruit our employees through recruitment agencies and online channels, including our corporate websites and social networking platforms. We have adopted robust internal training policies, pursuant to which management, technology and other training are regularly provided to our employees by in-house trainers or third-party consultants.

We have founded a labor union to provide employees with a wealth of recreational and collective welfare activities. We believe that the foundation of the labor union helps us to maintain a good working relationship with our employees and we did not experience any significant labor disputes or any material difficulties in recruiting employees for our operations in 2021.

Management Discussion and Analysis

Share Option Scheme

We have adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set out as follows:

(i) Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisors, substantial Shareholders, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(ii) Eligible participants

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), Director, consultant, advisor, substantial Shareholder, distributor, contractor, supplier, agent, customer, business partner or service provider of any member of our Group and any company wholly-owned by one or more persons belonging to any of the aforesaid clauses, options to subscribe at a price calculated in accordance with paragraph (vi) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) Acceptance and payment on acceptance of option offer

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

(iv) Maximum number of Shares to be issued

The total number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 141,030,000 Shares, being 9.64% of the total number of Shares in issue as at the date of this annual report.

(v) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

Management Discussion and Analysis

(vi) Basis of determining the exercise price

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

(vii) Period within which the securities must be exercised under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(viii) Life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on December 20, 2019 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting. For details, please refer to the sub-section headed "Appendix IV – Statutory and General Information – D. Other Information – 1. Share Option Scheme" of the Prospectus.

The total number of 141,030,000 Shares are available for issue under the Share Option Scheme as at the date of this annual report, representing approximately 9.64% of the Shares of the Company in issue as at the date of this annual report. As at December 31, 2021 the remaining life of the Share Option Scheme is approximately eight years. Save as disclosed above, as of December 31, 2021, no share options had been granted or agreed to be granted by us pursuant to the Share Option Scheme.

Management Discussion and Analysis

Share Award Scheme

We have adopted the Share Award Scheme on January 21, 2022. The principal terms of the Share Award Scheme are set out as follows:

(i) Objectives

The specific objectives of the Share Award Scheme are: (i) to recognise the contributions by certain Employees and to provide them with incentives in order to retain them for the continual operation and development of the Company; and (ii) to attract suitable personnel for further development of the Company.

(ii) Award of Awarded Shares

Subject to the rules of the Share Award Scheme, the Board may, from time to time, at its absolute discretion select any Employee (other than any Excluded Employee) for participation in the Share Award Scheme as a Selected Employee, and grant such number of Awarded Shares to any Selected Employee at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

(iii) Vesting of Awarded Shares

Subject to the terms and condition of the Share Award Scheme and the fulfillment of all relevant vesting conditions, the respective Awarded Shares held by a trustee on behalf of the Selected Employee pursuant to the provision of the rules of the Share Award Scheme shall vest in such Selected Employee in accordance with the relevant vesting schedule (if any), and the trustee shall cause the Awarded Shares to be transferred to such Selected Employee on the Vesting Date. A Selected Employee shall not have any interest or rights, including the right to receive dividends, in the Awarded Shares prior to the Vesting Date.

(iv) Maximum number of Shares to be issued

The Board shall not make any further award of Awarded Shares which will result in the aggregate number of the Shares awarded by the Board under the Share Award Scheme exceeding 5% of the total number of the issued Shares from time to time.

(v) Maximum entitlement of each participant

The maximum number of shares which may be awarded to a Selected Employee under the Share Award Scheme shall not exceed 1% of the total number of the issued Shares in any 12-month period.

Management Discussion and Analysis

(vi) Alteration and Termination

The Share Award Scheme may be amended in any respect by a resolution of the Board provided that no such amendment shall operate to affect materially and adversely any subsisting rights of any Selected Employee under the Share Award Scheme.

The Share Award Scheme shall terminate on the earlier of:

- (a) the 10th anniversary date of the Adoption Date; and
- (b) such date of early termination as determined by the Board by a resolution of the Board,

provided that such termination shall not affect any subsisting rights of any Selected Employee under the Share Award Scheme.

Please refer to the Company's announcement dated January 21, 2022 for details of the Share Award Scheme.

Contingent Liabilities

The Group did not have any material contingent liabilities as at December 31, 2021.

Charge on Assets

As at December 31, 2021, the Group had a pledged deposit of RMB0.2 million (2020: RMB0.4 million), which was pledged to the government authorities for conducting tourist related business in the PRC.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zang Weizhong (臧偉仲), aged 41, is the chairman of the Board, an executive Director and the chief executive officer of our Company. He is also currently the director of Zhonghexin Technology Holdings Limited, Zitop Technology Holdings Limited, the executive director and general manager of Huoer Guosi Lvji, Guangzhou Lvji, Huoer Guosi Yuntai Technology Company Limited* 霍爾果斯元泰科技有限公司 and Guangzhou Lvji Digital Technology Company Limited* 廣州驢迹數字化科技有限公司. He was appointed as a Director on November 7, 2018 upon the incorporation of our Company, and was re-designated as an executive Director on August 2, 2019. Mr. Zang established our Group in December 2013. He is the founder of our Group. He is primarily responsible for formulating the overall business plan and overseeing the business development and corporate culture of our Group.

Mr. Zang graduated from Wuhan Textile University (武漢紡織大學) in the PRC in June 2011 and specialized his studies in international finance. Mr. Zang was recognized as the “Outstanding and faithful entrepreneur in China (中國優秀誠信企業家)” by Chinese Enterprise Guozhixin (Beijing) Credit Evaluation Center* (中企國質信(北京)信用評估中心) in June 2017.

Mr. Wang Lei (王磊), aged 38, is an executive Director appointed on July 7, 2021 and is the head of the Group’s operation and management department for tourist attractions. From June 2018 to May 2019, he served as the senior investment director of Shanghai Joyu Tourism and Investment Co., Ltd. (上海景域旅遊投資有限公司). From May 2015 to May 2018, he served as the general manager of the investment department and the airlines and travel business department of Air Guilin Airlines & Tourism Group (桂林航空旅遊集團). From July 2008 to May 2015, he worked for Guilin Tourism Development Corporation (桂林旅遊發展總公司), successively served as archive secretary, deputy director of the general office and director of the office of the board of directors; he also held positions in various subsidiaries, such as deputy general manager of the project company for Guilin Seven Star Park (桂林七星景區), general manager of the project company for Guilin Reed Flute Cave Attractions (桂林蘆笛景區), chairman of the board of directors and general manager of Guilin Tourism Development and Investment Co., Ltd. (桂林旅遊發展投資有限公司).

Mr. Wang obtained a bachelor’s degree in management from Guilin University of Technology and a master’s degree in hotel and tourism management from the Hong Kong Polytechnic University.

Mr. Wang joined our Group as the senior investment director of the Group’s investment and acquisition department in June 2019. Further detail, please refer to the announcement of the Company dated 7 July 2021.

Profiles of Directors and Senior Management

Mr. Liu Hui (劉暉), aged 43, is an executive Director appointed on July 7, 2021 and is the Group's general manager for the smart tourist attractions business. From October 2011 to November 2018, he served successively as the senior operation director and deputy general manager at Global Business Intelligence Consulting Co., Ltd. (吉貝克信息技術有限公司). From July 2007 to June 2011, he served successively as the operation manager and senior operation manager at Huawei Technologies Co., Ltd. (華為技術有限公司). From July 2000 to August 2004, he served successively as the operation staff and the operation manager at China United Network Communications Co., Ltd., Anhui Branch (中國聯合網絡通信股份有限公司安徽省分公司).

Mr. Liu obtained a bachelor's degree in landscaping from Anhui Agricultural University in 2000 and a master's degree in business administration from South China University of Technology in 2007.

Mr. Liu joined our Group as the senior operation director in November 2018. Further detail, please refer to the announcement of the Company dated 7 July 2021.

NON-EXECUTIVE DIRECTOR

Mr. Cheung King Him Edmund (張敬謙), aged 42, was appointed as a non-executive Director on August 2, 2019. He is primarily responsible for supervising and providing advice to the Board.

Mr. Cheung has been holding various positions in the subsidiaries (and funds under such subsidiaries) of BOC International Holdings Limited, the investment banking arm of Bank of China Group, since March 2005. He has been an executive director of CITP Advisors (Hong Kong) Limited, a company principally engaged in provision of investment advisory services, since August 2013, and a member of investment committee of China Infrastructure Partners, L.P., a fund principally engaged in asset management, since April 2018. Prior to that, Mr. Cheung was an executive director of private equity division at BOCI Asia Limited. From March 2004 to March 2005, Mr. Cheung served as a business analyst at Citibank, N.A. Prior to joining Citibank N.A., Mr. Cheung was an analyst of global investment banking division at Deutsche Bank AG in Hong Kong from July 2000 to February 2003.

Mr. Cheung obtained a Bachelor of Arts from University of Chicago in the United States in March 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Gu Jianlu (顧劍璐), aged 30, was appointed as an independent non-executive Director on November 19, 2019. She is primarily responsible for supervising and providing independent judgment to our Board.

Ms. Gu has over three years of experience in investment management. Ms. Gu has been a managing director of Shanghai Qingzhitong Investment Management Co., Ltd.* (上海青之桐投資管理有限公司) since July 2016.

Ms. Gu obtained a bachelor's degree in Human Resources Management (人力資源管理) from University of International Business and Economics (對外經濟貿易大學) in the PRC in June 2013. She subsequently obtained a master's degree in Engineering from Peking University (北京大學) in the PRC in January 2016.

Profiles of Directors and Senior Management

Ms. Wu Daxiang (吳大香), aged 38, was appointed as an independent non-executive Director on November 19, 2019. She is primarily responsible for supervising and providing independent judgment to our Board.

Ms. Wu has over nine years of experience in the accounting and risk management industry. She has been the risk management vice president of Shenzhen Sunflower Investment Co., Ltd.* (深圳市向日葵投資有限公司) since June 2017. Ms. Wu worked for Shenzhen Fuhai Minxiang Wealth Management Company Limited, Zhengzhou Branch* (深圳市富海民享財富管理有限公司鄭州分公司), responsible for due diligence and related matters from July 2015 to May 2017. She served as a manager of Grant Thornton Accounting Firm (Special general partnership), Xiamen Branch (致同會計師事務所(特殊普通合夥)廈門分所) from November 2010 to June 2015.

Ms. Wu obtained a bachelor's degree in Accounting from Hunan Agricultural University (湖南農業大學) in the PRC in June 2006.

Ms. Wu passed the Advanced Qualification Level of the National Accountant Examination (高級會計師資格考試) in December 2013. Ms. Wu was granted the International Registered Internal Audit Certificate (國際註冊內部審計師證書) in November 2009 by China Institute of Internal Audit (中國內部審計協會). She obtained the Certificate for Passing All the Required Subjects of the National Uniform CPA Examination (註冊會計師全國統一考試全科合格證) in December 2009 from the Certified Public Accountants Examination Committee of The Ministry of Finance of the PRC (中國財政部註冊會計師考試委員會). She was granted the Medium Level Qualification Certificate of Specialty and Technology (會計中級專業技術資格證書) in May 2006 by The Ministry of Finance of the PRC (中華人民共和國財政部).

Ms. Gu Ruizhen (顧瑞珍), aged 44, was appointed as an independent non-executive Director on November 4, 2020. She is primarily responsible for supervising and providing independent judgment to the Board.

Ms. Gu has 18 years of experience in government management, news communication and the development of state-owned enterprises. From July 2002 to October 2015, Ms. Gu served as a member of the Standing Committee of the Xinhua News Agency. From October 2015 to September 2019, she served as Deputy Director of the Law Enforcement Department of the Central Network Information Office's Integrated Coordination, Management and Law Enforcement Supervision Bureau (presided over the work) and as spokesman and head of the Office of the Communications Bureau of the Central Network Information Office. In addition, Ms. Gu served as Deputy General Manager of China International Capital Corporation Limited from September 2019 to August 2020. Ms. Gu is now vice president of Inner Mongolia Mengniu Dairy (Group) Co., Ltd, a subsidiary of China Mengniu Dairy Company Limited (stock code: 2319).

Ms. Gu obtained a master's degree in teaching programme from Shanghai Normal University in 2002.

Profiles of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Zang Weizhong (臧偉仲), our executive Director and chief executive officer. See “Executive Directors” in this section for his profile.

Mr. Wang Lei (王磊), our executive Director and head of the Group’s operation and management department for tourist attractions. See “Executive Directors” in this section for his profile.

Mr. Liu Hui (劉暉), our executive Director and general manager for the smart tourist attractions business. See “Executive Directors” in this section for his profile.

Mr. Wen Lijun (溫利軍), aged 29, is the sales director of our Company. He was appointed as the sales director of our Group on November 19, 2019. Mr. Wen has served as the sales director of Lvji Technology since June 23, 2014. Mr. Wen is primarily responsible for implementing annual sales strategy and sales target of our Group.

Prior to joining our Group, Mr. Wen served as the head of training department of Guangzhou Zengcheng Blue Eagle Education and Training Center* (廣州市增城藍鷹教育培訓中心) from June 2011 to June 2013.

Mr. Wen graduated from Sun Yat-Sen University (中山大學) in June 2015 and he specialized his studies in administration management. He has been recognized as the Project Management Professional by the Project Management Institute since June 2018. Mr. Wen has been a lecturer for Guangzhou Youth Social Work Training (廣州市青少年社會工作培訓講師) from December 2015 to November 2017.

COMPANY SECRETARY

Ms. Lam Shi Ping (林仕萍) was appointed as a company secretary of our Company on August 20, 2019 and is nominated by Boardroom Corporate Services (HK) Limited (“Boardroom”) pursuant to an engagement letter made between the Company and Boardroom, pursuant to which Boardroom has agreed to provide certain corporate secretarial services to the Company.

Ms. Lam has over ten years of experience in company secretarial matters, which is gained from her working experience with various companies listed in Hong Kong.

She is an associate member of The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and an associate member of The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

Ms. Lam obtained a diploma of commerce from Australian Institute for University Studies in Australia in December 2001. She obtained a bachelor’s degree in business administration from Curtin University of Technology in Australia in July 2003. She subsequently obtained a master’s degree in corporate governance from The Hong Kong Polytechnic University in Hong Kong in October 2014.

Directors' Report

The Board presents this directors' report in the Group's annual report for the year ended December 31, 2021.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on November 7, 2018 as an exempted company with limited liability under the laws of the Cayman Islands. The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. 352,700,000 Shares were issued under the Global Offering at the price of HK\$2.12 per Share, raising net proceeds of approximately HK\$580.0 million (after deducting the underwriting commissions and related listing expenses payable by the Company in the Global Offering). As at the Listing Date, the share capital of the Company was US\$14,103,000 divided into 1,410,300,000 ordinary shares of US\$0.01 each.

PRINCIPAL BUSINESS

The Group is a market leader in China's online tour guide industry. The Group deploys software on its cloud system to provide online tour guide with proprietary contents, which include illustrated maps of tourist attractions, editorial contents and voice-over commentaries of points of interest in the tourist attractions, and are implemented to include functions such as real-time navigation. In addition, the Group also provides smart tourist attractions management service system and all-rounded tourism solutions for tourist attractions and cultural sites. As a technology-driven company, the Group prioritizes the development of its software and information technology, including R&D in big data and AI capabilities.

There were no significant changes in the nature of the Group's principal business during the year ended December 31, 2021. Please refer to Note 1 to the Financial Statements for details of the principal business of the Group.

RESULTS

The results of the Group for the year ended December 31, 2021 are set out in the Consolidated Statement of Comprehensive Income of this annual report.

DIVIDEND AND DIVIDEND POLICY

No dividend was declared and paid by the Company for the year ended December 31, 2021. The Directors do not recommend any payment of a final dividend for the year ended December 31, 2021. As at 31 December 2021, there was no arrangement under which a shareholder has waived or agreed to waive any dividend. The Group does not have any pre-determined dividend pay-out ratio. The declaration of dividends is subject to the discretion of the Board. Any declaration of final dividend by the Company shall also be subject to the approval of the Shareholders in a general meeting. The Directors may recommend a payment of dividends in the future after taking into account the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to constitutional documents, any applicable laws and regulations, including the laws of the Cayman Islands.

Directors' Report

SHARE CAPITAL

Details of the issued shares of the Group during the year ended December 31, 2021 are set out in Note 28 to Financial Statements.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company had no distributable reserves.

FINANCIAL SUMMARY

The Group's financial summary for the last five financial years is set out in the section headed "Five-Year Performance Review" of this annual report.

BANK LOANS AND OTHER BORROWINGS

As of December 31, 2021 the Group had no outstanding bank loans or other borrowings.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2021 are set out in Note 15 to Financial Statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF

The Directors are not aware of any tax relief available to the Shareholders by reason of their holding of the Company's Shares.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were successfully listed on the Stock Exchange on the Listing Date. The net proceeds from the Listing were approximately HK\$580.0 million (after deducting the underwriting commissions and other related listing expense payable by the Company in the Global Offering). As at December 31, 2021, the Group had used approximately HK\$354.8 million (equivalent to approximately RMB314.4 million).

Directors' Report

The table below set out the planned application and usage of the net proceeds:

	Intended use of net proceeds from the Global Offering	Proportion	Remaining balance as at December 31, 2020	Amount utilized for the Reporting Period	Remaining balance as at December 31, 2021	Expected timeline to utilize the remaining net proceeds
	HK\$ Million	%	HK\$ Million	HK\$ Million	HK\$ Million	
Upgrade of existing products' contents	58.0	10	58.0	16.5	41.5	31/12/2022
Data collection and content production of the tourist attractions for online tour guide development	174.0	30	-	-	-	Not applicable
Expansion of content production team	58.0	10	58.0	9.7	48.3	31/12/2022
Upgrade of existing hardware and software	20.3	3.5	20.3	7.5	12.8	31/12/2022
Recruitment of more R&D talents	20.3	3.5	-	-	-	Not applicable
Procurement of servers	17.4	3	17.4	-	17.4	31/12/2022
Industry exhibitions and conferences, on-site promotion at tourist attractions and marketing activities	34.8	6	27.3	27.3	-	Not applicable
New products launches and marketing	23.2	4	23.2	18.9	4.3	31/12/2022
Strategic investment	116.0	20	15.0	-	101.0	31/12/2022
Working capital and general corporate purposes	58.0	10	-	-	-	Not applicable
Total	580.0	100	305.2	80.0	225.2	

The unutilised net proceeds are placed in licensed banks in Hong Kong and the PRC.

Directors' Report

PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE

On October 28, 2020, the Company issued and allotted 53,350,000 fully paid ordinary shares, representing approximately 3.64% of the issued share capital of the Company as enlarged by the allotment and issue of the placing Shares, at the subscription price of HK\$0.90 per Share to three placees. The aggregate nominal value of the placing Shares is US\$533,500. The closing market price was HK\$0.91 per Share on the date on which the terms of the issue were fixed. The gross proceeds from the placing were approximately HK\$48.0 million, and the net proceeds after deducting all relevant expenses were approximately HK\$47.9 million.

The table below set out the intended application and usage of the net proceeds from the placing of new Shares under general mandate:

	Intended use of net proceeds from the placing of new Shares under general mandate	Proportion	Remaining balance as at December 31, 2020	Amount utilized for the Reporting Period	Remaining balance as at December 31, 2021	Expected timeline to utilize the remaining net proceeds
	HK\$ Million	%	HK\$ Million	HK\$ Million	HK\$ Million	
Operating expenses such as hiring additional employees and procuring advanced hardware and software equipment	4.8	10	4.8	4.8	-	Not applicable
Equity acquisition and investment of high-quality enterprises associated with the Company's business	43.1	90	43.1	-	43.1	31/12/2022
Total	47.9	100	47.9	4.8	43.1	

The unutilised net proceeds are placed in licensed banks in the PRC.

Directors' Report

BUSINESS REVIEW

Overview and performance of the Year

Business review and financial review are set out in the section headed "Management Discussion and Analysis" of this annual report.

Environmental Policies and Performance

The Group's business model generally involves online sales of online tour guide to its end users. Therefore, the Group is not subject to significant health, safety or environmental risks. The Group does not expect to incur any material liabilities or expenditures in these respects. To ensure compliance with applicable laws and regulations, its human resources team under its administration department would, if necessary, adjust its human resources policies from time to time to accommodate material changes to relevant labor and safety laws and regulations.

Compliance with Relevant Laws and Regulations

The Group has complied in all material respects with the requirements under the Companies Ordinance, the Listing Rules, the SFO and the Corporate Governance Code for, among other things, the disclosure of information and corporate governance. The Group has also complied in all material respects with other relevant laws and regulations that have a significant impact on the operations of the Group.

Key Relationships with Stakeholders

Relationship with Customers

The Group provides services to end users but collect related sales proceeds from OTAs. Based on the flow of revenue collection stream, OTAs are deemed as customers. The other customers include travel agencies, users of Lvji APP, tourist attraction administrators and government offices.

The Group develops and maintains long-term strategic relationships with our OTAs. A number of functional groups for our OTA business are established, namely:

- sales and marketing department: expand and maintain the corresponding OTA channel, facilitate communication between OTA headquarters and regional business leaders, and continuously deepen cooperation and promote our products on the OTA platform;
- operations department: responsible for providing OTA with products to and from the production line, price adjustment, handling related end-user and OTA feedback and complaints, coordinating system daily docking, daily order check and statistics;
- product team under our content production department: provide product service and technical support for OTA, and connect with OTA system to realize transmission and check between content data and order data;

Directors' Report

- project team under our operations department: coordinate with product technical team to produce contents, development functions and systems; and
- management team under our operations department: be responsible for developing business policies and strategies, monitoring and advancing the implementation of policies and strategies.

The Group's trading terms with OTAs are mainly on credit. The credit period for OTAs is generally 45 days. Each OTA has a maximum credit limit. The credit period for other customers is generally 30 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Please refer to Note 21 to the Financial Statements for details of trade receivables.

The Group's top five customers accounted for approximately 89.1% of its total revenue for the year ended December 31, 2021 (2020: 96.5%) whereas its largest customer accounted for approximately 30.1% of its total revenue for the year ended December 31, 2021 (2020: 37.5%). For details of the risks associated with reliance on major customers, and measures undertaken by the Group to mitigate such risks, please refer to the paragraph headed "Risk of Major Customers" on page 34 of this annual report.

For the year ended December 31, 2021, none of the Directors, 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 of the Group.

Relationship with Suppliers

From financial perspective, OTAs are categorized as suppliers as their pre-deducted concession fees are recognized as our cost of sales. The OTA concession fees attributable to the five largest OTAs (in terms of OTA concession fees contribution) accounted for approximately 64.2% of its cost of sales for the year ended December 31, 2021 (2020: 63.9%) whereas the largest OTA (in terms of OTA concession fees contribution) accounted for approximately 20.9% of our cost of sales for the year ended December 31, 2021 (2020: 26.1%).

The suppliers of operation, to whom the Group directly make payments for the purchases, primarily consist of (i) data collection and content providers, (ii) data storage, server hosting and bandwidth providers, and (iii) human resource outsourcing agents who provide experienced staff for us. The Group's top five suppliers in terms of purchase amount, which excluded OTA concession fees, consulting expenses and listing fees, accounted for approximately 46.9% of its total purchase amount for the year ended December 31, 2021 (2020: 81.5%).

For the year ended December 31, 2021, none of the Directors, 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 suppliers of the Group.

Directors' Report

Relationship with Our Employees

The Group embraces its employees as the most valuable assets of the Group. The objective of the Group's human resources management is to reward and recognize outstanding employees by providing competitive remuneration packages and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group by providing robust internal training and opportunities. In particular, to strengthen and sustain its technology innovation, the Group will continue to attract, train and retain more talent in technology, research and development. New talent will continue to support its technology and will be offered advancement on-the-job training programs and promotion opportunities.

Relationship with Our Shareholders

The Group recognizes the importance of protecting the interests of the Shareholders and of having effective communication with them. The Group believes communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, interim and annual reports and results announcements.

Principal Risk and Uncertainties

Risk of Major Customers

Since a limited number of customers, including OTAs, attributed to a substantial portion of the Company's revenue, there will be an adverse impact on the sales and profit of the Group if these major customers reduce the volume of, or no longer sell, their travel products and services sold through us.

Response measures: The Group will increase market sales of its products through a diversified source of customers, including (i) contracting with regional travel agents; (ii) end users of its Lvji APP; (iii) contracting with local tourist attraction administrators; and (iv) engaging in cooperation relationships with cultural sites. At the same time, the Group will actively look for mergers and acquisition opportunities to expand the market size.

Risk of Competition within the Industry

Competition in the online tour guide industry is competitive. The Group compete primarily with other online tour guide providers and, to a lesser extent, travel agencies and OTAs. As China's online travel market continues to evolve, the Group may face with increased competition from new online tour guide providers or travel agencies and OTAs that seek to expand into this industry. Increased competition could reduce our operating margins and profitability and result in its loss of market share.

Response measures: The Group will continue to strategically increase investments in its sales and marketing efforts, including broadening its user acquisition channels. At the same time, the Group will further improve its market competition analysis mechanism, focus on market dynamics and collect market information. In addition, the Group will continue to increase its competitiveness through expanding the range of our product and service offerings, growing its user base, enhancing its user engagement, and pursuing strategic alliances, acquisitions and investments.

Directors' Report

Risk of Retaining and Growing our User Base

The size of the Group's user base and the level of user engagement are critical to our success. The Group's business will continue to significantly depend on our users and their level of engagement with its products and services. If users no longer view its products and services as useful and attractive, the Group may not be able to increase or maintain its user base and the level of user engagement. Thus, its operating results and long-term monetization potential could be adversely impacted.

Response measures: the Group will continue to seek the most effective and cost-efficient ways to expand our user base through a diverse range of traffic acquisition channels. The Group's major strategies are (i) increasing user awareness through OTAs, (ii) enhancing its brand equity through marketing and promotional activities, (iii) acquiring traffic efficiently for its Lvji APP; and (iv) providing a more personalized user experience with smart tourism solutions to meet its users' evolving needs.

Risk of Regulatory or Governmental Policy Changes

The Group is required to obtain, maintain and renew various licenses, permits and accreditations from time to time for its business operations. Although as confirmed by a written confirmation dated November 29, 2019 issued from Guangdong Communications Administration, being the competent authority to confirm matters relating to the operation of ICP services and application for ICP License in Guangdong province, that currently there is no relevant policy or regulation that requires the Group to obtain an ICP License, the Group may be required to obtain the ICP License or other additional licenses or permits in the future if there is a change in interpretation of the PRC laws and regulations. Should the Group fail to obtain or renew the certificates, licenses or accreditations required to operate its businesses in a timely manner or at all, the Group may be subject to fines or penalties and our business may be materially disrupted which could have a material and adverse effect on our financial performance and results of operations.

Response measures: The Group will continue to comply with all the applicable PRC laws, regulatory requirements and guidelines in relation to our business and operations in all material respects. Should there be a change of regulation or governmental policies, the Group will obtain or renew the certificates, licenses or accreditations required to operate its businesses in a timely manner.

Risk of COVID-19

For details, please refer to the "Chairman's Statement" in this annual report.

PROSPECTS

A description of the future development in the Company's business is set out in the "Chairman's Statement" and the "Management Discussion and Analysis" section of this annual report.

Directors' Report

EVENTS AFTER DECEMBER 31, 2021

The Company adopted the Share Award Scheme on January 21, 2022. For further details of the Share Award Scheme, please refer to "Share Award Scheme" in the Management Discussion and Analysis.

Save for the above and otherwise disclosed in the section headed "Events After the Reporting Period" on Note 37 to Financial Statements in this annual report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2021 and up to the date of this annual report.

DIRECTORS

The Directors during the year ended December 31, 2021 and up to the date of this annual report were:

Executive Directors:

Mr. Zang Weizhong (*Chairman and Chief Executive Officer*)

Mr. Wang Lei (appointed on July 7, 2021)

Mr. Liu Hui (appointed on July 7, 2021)

Ms. Sun Hongyan (stepped down on June 25, 2021)

Mr. Long Chao (stepped down on June 25, 2021)

Non-executive Directors:

Mr. Cheung King Him Edmund

Mr. Fan Baoguo (appointed on February 10, 2021 and resigned on October 11, 2021)

Independent Non-executive Directors:

Ms. Gu Jianlu

Ms. Wu Daxiang

Ms. Gu Ruizhen

Article 84 of the Articles of Association provides that at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and any Director appointed by the Board pursuant to article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. In accordance with article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy on the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Accordingly, Mr. Wang Lei, Mr. Liu Hui and three other Directors will hold office as Directors until the AGM and are subject to re-election. No Director proposed for re-election at the AGM has an unexpired service contract or letter of appointment which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Directors' Report

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Profiles of Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Zang Weizhong entered into a service contract with the Company on December 20, 2019 commencing from the Listing Date. Mr. Wang Lei and Mr. Liu Hui entered into service contracts with the Company on July 7, 2021 commencing on the same day. The service contract of each of the executive Directors are for an initial term of three years. The service contracts are subject to termination in accordance with their respective terms.

The non-executive Director Mr. Cheung King Him Edmund signed a letter of appointment with the Company on December 20, 2019. Accordingly, he agreed to serve as a non-executive Director for a term of three years. The appointment may be terminated in accordance with the terms and conditions of the letter of appointment or by either party giving to the other not less than one month's prior notice in writing.

Ms. Gu Jianlu and Ms. Wu Daxiang signed a letter of appointment with the Company on December 20, 2019 and Ms. Gu Ruizhen signed a letter of appointment with the Company on November 4, 2020. The letter of appointment of each of the INEDs are for a term of three years. The appointment may be terminated by either party giving to the other not less than one month's prior notice in writing.

None of the Directors have an unexpired letter of appointment which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INEDs

The Company has received from each of the INEDs a confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. Base on the confirmations, the Company considers that the INEDs are in compliance with the independent guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Directors' Report

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

As at December 31, 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO), which were required (a) 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 under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in Shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares held	Long/Short position	Approximate percentage of shareholding in the Company ⁽³⁾
Mr. Zang	Beneficial owner	2,366,000	Long position	0.16%
	Interest in controlled corporation ⁽¹⁾ /Interest of a party to an agreement regarding interest in the Company ⁽²⁾	552,996,500	Long position	37.78%

Notes:

- (1) As of December 31, 2021, Lu Jia Technology directly held 405,243,400 Shares. As Lu Jia Technology is wholly and beneficially owned by Mr. Zang, Mr. Zang is deemed to be interested in the Shares held by Lu Jia Technology under the SFO.
- (2) Mr. Zang is a party to the acting in concert deed dated July 25, 2019 entered into by the Controlling Shareholders, pursuant to which, each of Mr. Zang, Lu Jia Technology, Mr. Fan, Invest Profit, Jieming Sanhao LLP, Jieming Sanhao BVI, Qifu Honglian LLP and Qifu Honglian BVI agree to act and vote in concert with each other based on consensus reached among themselves (or the instructions of Mr. Zang when no consensus can be reached) for all operational and other matters at board meetings or shareholders' meetings of each of the Group companies. Mr. Zang is therefore deemed to be interested in the 147,753,100 Shares held by Mr. Fan, Invest Profit, Qifu Honglian LLP, Qifu Honglian BVI, Jieming Sanhao LLP and Jieming Sanhao BVI under the SFO.
- (3) The percentages are calculated on the basis of 1,463,650,000 Shares in issue as of December 31, 2021.

Directors' Report

Interests in Shares of an Associated Corporation

Name of Director	Name of associated corporation	Nature of interest/ capacity	Number of shares held in the associated corporation	Percentage of shareholding
Mr. Zang	Lu Jia Technology ⁽¹⁾	Beneficial owner	50,000	100%

Note:

- (1) As of December 31, 2021, Lu Jia Technology was interested in approximately 37.94% of the total issued share capital of the Company. Therefore, Lu Jia Technology is an associated corporation of the Company for the purpose of the SFO.

Save as disclosed above, as at December 31, 2021, none of the Directors nor the chief executives of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at December 31, 2021, the following persons and entities (other than the Directors or chief executives of the Company) have interests or short positions in the shares and underlying shares which are required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of Shareholders	Capacity/Nature of interest	Number of Shares held	Long/ Short position	Approximate percentage of shareholding in the Company ⁽¹⁰⁾
Lu Jia Technology	Beneficial owner	405,243,400	Long position	27.69%
	Interest of a party to an agreement regarding interest in the Company ⁽¹⁾	150,119,100	Long position	10.25%
Invest Profit	Beneficial owner	61,444,900	Long position	4.20%
	Interest of a party to an agreement regarding interest in the Company ⁽¹⁾	493,917,600	Long position	33.74%

Directors' Report

Name of Shareholders	Capacity/Nature of interest	Number of Shares held	Long/ Short position	Approximate percentage of shareholding in the Company ⁽¹⁰⁾
Mr. Fan ⁽²⁾	Interest in controlled corporation/Interest of a party to an agreement regarding interest in the Company ⁽¹⁾	555,362,500	Long position	37.94%
Qifu Honglian BVI	Beneficial owner	47,401,200	Long position	3.24%
	Interest of a party to an agreement regarding interest in the Company ⁽¹⁾	507,961,300	Long position	34.70%
Qifu Honglian LLP ⁽³⁾	Interest in controlled corporation/Interest of a party to an agreement regarding interest in the Company ⁽¹⁾	555,362,500	Long position	37.94%
Qifu Private Equity Funds Management Company Limited* (啓賦私募基金管理有限公司) ⁽³⁾	Interest in controlled corporation	555,362,500	Long position	37.94%
Shanghai Qianfu Investment Management Company Limited* (上海謙賦投資管理有限公司) ⁽³⁾	Interest in controlled corporation	555,362,500	Long position	37.94%
Fu Zhekuan* (傅哲寬) ⁽³⁾	Interest in controlled corporation	555,362,500	Long position	37.94%
Jieming Sanhao BVI	Beneficial owner	38,907,000	Long position	2.66%
	Interest of a party to an agreement regarding interest in the Company ⁽¹⁾	516,455,500	Long position	35.28%
Jieming Sanhao LLP ⁽⁴⁾	Interest in controlled corporation/Interest of a party to an agreement regarding interest in the Company ⁽¹⁾	555,362,500	Long position	37.94%
Guangzhou Shi Jieming Investment Management Limited* (廣州市捷銘投資管理有限公司) ⁽⁴⁾	Interest in controlled corporation	555,362,500	Long position	37.94%

Directors' Report

Name of Shareholders	Capacity/Nature of interest	Number of Shares held	Long/ Short position	Approximate percentage of shareholding in the Company ⁽¹⁰⁾
Wang Bing* (王冰) ⁽⁴⁾	Interest in controlled corporation	555,362,500	Long position	37.94%
Yongtai BVI	Beneficial owner	87,684,600	Long position	5.99%
Yongtai LLP ⁽⁵⁾	Interest in controlled corporation	87,684,600	Long position	5.99%
Dongying Chunhua Consultancy Management Company Limited* (東營春華諮詢管理有限公司) ⁽⁵⁾	Interest in controlled corporation	87,684,600	Long position	5.99%
Dongying Linglong Jinshan Investment Management Company Limited* (東營玲瓏金山投資管理有限公司) ⁽⁵⁾	Interest in controlled corporation	87,684,600	Long position	5.99%
BOCIFP	Beneficial owner	84,615,300	Long position	5.78%
Bank of China Limited ⁽⁶⁾	Interest in controlled corporation	84,615,300	Long position	5.78%
China Investment Corporation ⁽⁶⁾	Interest in controlled corporation	84,615,300	Long position	5.78%
Lin Fangli* (林芳荔) ⁽⁷⁾	Interest of spouse	555,362,500	Long position	37.94%
Ye Hua* (葉華) ⁽⁸⁾	Interest of spouse	555,362,500	Long position	37.94%
Mithaq Capital SPC ⁽⁹⁾	Beneficial owner	291,944,000	Long position	19.95%
Mithaq Capital ⁽⁹⁾	Interest in controlled corporation	291,944,000	Long position	19.95%
Mithaq Global ⁽⁹⁾	Interest in controlled corporation	291,944,000	Long position	19.95%

Directors' Report

Notes:

- (1) It is a party to the acting in concert deed dated July 25, 2019 entered into by the Controlling Shareholders pursuant to which each of Mr. Zang, Lu Jia Technology, Mr. Fan, Invest Profit, Jieming Sanhao LLP, Jieming Sanhao BVI, Qifu Honglian LLP and Qifu Honglian BVI agree to act and vote in concert with each other based on consensus reached among themselves (or the instructions of Mr. Zang when no consensus can be reached) for all operational and other matters at board meetings or shareholders' meetings of each of the Group companies.
- (2) As of December 31, 2021, Invest Profit directly held 61,444,900 Shares. Being a party to the acting in concert deed dated July 25, 2019, Invest Profit is deemed to be interested in the Shares held by Mr. Zang, Lu Jia Technology, Qifu Honglian LLP, Qifu Honglian BVI, Jieming Sanhao LLP and Jieming Sanhao BVI.

Invest Profit is wholly and beneficially owned by Mr. Fan and therefore Mr. Fan is deemed to be interested in the Shares held by Invest Profit under the SFO.
- (3) As of December 31, 2021, Qifu Honglian BVI directly held 47,401,200 Shares. Being a party to the acting in concert deed dated July 25, 2019, Qifu Honglian BVI is deemed to be interested in the Shares held by Mr. Zang, Lu Jia Technology, Mr. Fan, Invest Profit, Jieming Sanhao LLP and Jieming Sanhao BVI. Qifu Honglian BVI is wholly and beneficially owned by Qifu Honglian LLP. The general partner of Qifu Honglian LLP is Qifu Private Equity Funds Management Company Limited which in turn is owned as to approximately 31.71% by Shanghai Qianfu Investment Management Company Limited and as to approximately 17.70% by Fu Zhekuan, among others. Shanghai Qianfu Investment Management Company Limited is owned as to approximately 81.25% by Fu. Therefore, Qifu Honglian LLP, Qifu Private Equity Funds Management Company Limited, Shanghai Qianfu Investment Management Company Limited and Fu Zhekuan are deemed to be interested in the Shares held by Qifu Honglian BVI under the SFO.
- (4) As of December 31, 2021, Jieming Sanhao BVI directly held 38,907,000 Shares. Being a party to the acting in concert deed dated July 25, 2019, Jieming Sanhao BVI is deemed to be interested in the Shares held by Mr. Zang, Lu Jia Technology, Mr. Fan, Invest Profit, Qifu Honglian LLP and Qifu Honglian BVI. Jieming Sanhao BVI is wholly and beneficially owned by Jieming Sanhao LLP. The general partner of Jieming Sanhao LLP is Guangzhou Shi Jieming Investment Management Limited which in turn is owned as to approximately 74.5% by Wang Bing. Therefore, Jieming Sanhao LLP, Guangzhou Shi Jieming Investment Management Limited and Wang Bing are deemed to be interested in the Shares held by Jieming Sanhao BVI under the SFO.
- (5) Yongtai BVI is wholly and beneficially owned by Yongtai LLP. The general partner of Yongtai LLP is Dongying Chunhua Consultancy Management Company Limited which in turn is owned as to 99% by Dongying Linglong Jinshan Investment Management Company Limited. Therefore, Yongtai LLP, Dongying Chunhua Consultancy Management Company Limited and Dongying Linglong Jinshan Investment Management Company Limited are deemed to be interested in the Shares held by Yongtai BVI under the SFO.
- (6) BOCIFP is wholly owned by BOC International Holdings Limited, which is in turn wholly owned by Bank of China Limited. As of December 31, 2020, Central Huijin Investment Ltd. held approximately 64.02% of the total issued ordinary share capital of Bank of China Limited. Central Huijin Investment Ltd. is a state-owned investment PRC company which is wholly owned by China Investment Corporation. Therefore China Investment Corporation and Bank of China Limited are deemed to be interested in the Shares held by BOCIFP under the SFO.
- (7) Lin Fangli is the spouse of Fu Zhekuan. Therefore, Lin Fangli is deemed to be interested in the Shares in which Fu Zhekuan is interested or is deemed to be interested under the SFO.
- (8) Ye Hua is the spouse of Wang Bin. Therefore, Ye Hua is deemed to be interested in the Shares in which Wang Bin is interested or is deemed to be interested under the SFO.
- (9) As of December 31, 2021, to the best knowledge of the Directors, Mithaq Capital SPC directly held 291,944,000 Shares. Mithaq Capital SPC was owned as to 46.92% by Mithaq Capital and Mithaq Capital was wholly owned by Mithaq Global. Therefore, Mithaq Capital and Mithaq Global are deemed to be interested in the Shares held by Mithaq Capital SPC under the SFO.
- (10) The percentages are calculated on the basis of 1,463,650,000 Shares in issue as of December 31, 2021.

Save as disclosed above, as of December 31, 2021, no other person or entity (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporations" above, at no time during the year ended December 31, 2021 and up to the date of this annual report was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Group, none of the Directors or their respective close associates was interested in any business which directly or indirectly competes or is likely to compete with the businesses of the Group from the Listing Date and up to December 31, 2021.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than disclosed in the section headed "Related Party Transactions" in Note 33 to Financial Statements contained in this annual report, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or its connected entity (within the meaning of Section 486 of the Companies Ordinance) had a material interest, whether directly or indirectly, and subsisting during the year ended December 31, 2021 or as of December 31, 2021.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the section headed "Related Party Transactions" in Note 33 to Financial Statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended December 31, 2021 or subsisted as of December 31, 2021. No contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended December 31, 2021 or subsisted as of December 31, 2021.

CONNECTED TRANSACTIONS

The related party transactions disclosed in Note 33 to Financial Statements contained in this annual report are connected transactions which are fully exempted from the requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1) of the Listing Rules.

Directors' Report

MANAGEMENT CONTRACTS

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

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to article 164 of the Articles of Association and subject to Cayman Islands Companies Law, each Director shall be indemnified and secured harmless, out of the assets and profits of the Company, from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty.

Furthermore, pursuant to an indemnification agreement dated August 2, 2019 entered into between the Company and Mr. Cheung King Him Edmund (a non-executive Director), the Company agreed to indemnify Mr. Cheung King Him Edmund against all expenses, judgments, fines, interest or penalties, and excise taxes assessed with respect to any employee benefit or welfare plan, which are actually and reasonably incurred in connection with any proceeding (other than, among other things, the circumstances when Mr. Cheung King Him Edmund has been finally adjudged to have been knowingly fraudulent, deliberately dishonest or wilful misconduct), to the fullest extent permitted by applicable law.

The Company has arranged appropriate directors' liability insurance coverage for the Directors.

EMOLUMENT POLICY

The Directors and senior management receive remuneration, including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonus. The Group also reimburses them for expenses which are necessary and reasonably incurred in relation to all business and affairs carried out by the Group from time to time or for providing services to the Group or executing their functions in relation to the Group's business and operations. The Group regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities and performance of the Directors and senior management.

The Remuneration Committee is responsible 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 abovementioned factors.

After the Listing, the Directors, senior management and other staff may also receive share options to be granted under the Share Option Scheme and Shares to be granted under the Share Award Scheme, as and when the Directors deem appropriate and expedient to do so from time to time.

Details of the emoluments of the Directors, and the five highest paid individuals for the year ended December 31, 2021 are set out in Notes 10 and 11 to Financial Statements, respectively.

Directors' Report

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in Note 3 to Financial Statements.

EQUITY-LINKED AGREEMENT

There was no equity-linked agreement entered into by the Company during the year ended December 31, 2021.

DEED OF NON-COMPETITION

The Controlling Shareholders, namely Mr. Zang, Lu Jia Technology, Invest Profit, Mr. Fan, Qifu Honglian LLP, Qifu Honglian BVI, Jieming Sanhao LLP and Jieming Sanhao BVI, entered into the deed of non-competition (the "Deed of Non-competition") in favor of the Company (for itself and as trustee for each of its subsidiaries) on December 20, 2019 pursuant to which each of the Controlling Shareholders, irrevocably and unconditionally, has undertaken to and covenanted with the Group that, save and except as disclosed in the Prospectus, he/it will not, and would procure that his/its close associates (except any members of the Group) would not directly or indirectly, either on his/its own or in conjunction with or on behalf of any person, firm, company, partnership or organization among other things, carry on, participate or hold interests in or engage in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise), any business which is in competition with or likely to be in competition with the Group's business.

Please refer to the Prospectus for details of the Deed of Non-competition.

The Company has received an annual confirmation from the Controlling Shareholders in respect of their compliance with Deed of Non-competition from the Listing Date up to December 31, 2021.

Based on the information and confirmation provided by the Controlling Shareholders, the INEDs have reviewed the implementation of Deed of Non-competition from the Listing Date up to December 31, 2021, and are satisfied that the Controlling Shareholders have complied with the Deed of Non-competition.

MATERIAL LEGAL PROCEEDINGS

For the year ended December 31, 2021, to the best knowledge of the Directors, there was no actual or pending legal, arbitration or administrative proceedings that would have a material adverse effect on our business, results of operations, financial condition or reputation, and compliance with applicable laws and regulations.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

None of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2021.

Directors' Report

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND SIMILAR RIGHTS

No convertible securities, options, warrants and similar rights were issued or granted by the Group during the year ended December 31, 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date to December 31, 2021.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's employees was noted by the Company from the Listing Date to December 31, 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its shareholders and enhance its value and accountability. The Company has adopted the principles and code provisions as set out in the Corporate Governance Code. During the Reporting Period, the Company has complied with all the applicable code provisions under the Corporate Governance Code with the exception for the deviation from code provision C.2.1 of the Corporate Governance Code. Please refer to the section headed "Chairman and Chief Executive" in this annual report for details.

The Group will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

INDEPENDENT AUDITOR

The Consolidated Financial Statements have been audited by Ernst & Young, certified public accountants.

Ernst & Young will retire and, being eligible, offer themselves for reappointment. A resolution for their reappointment as auditor of the Company will be proposed at the AGM.

CHANGES OF INFORMATION IN RELATION TO THE DIRECTORS

Save as otherwise disclosed, there was no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the Reporting Period and up to the date of this annual report.

Directors' Report

AUDIT COMMITTEE

The Audit Committee has, together with the senior management and the independent auditor of the Company, reviewed the accounting principles and practices adopted by the Company as well as the audited Consolidated Financial Statements.

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 Hong Kong Stock Exchange and the Listing Rules) of the Company's entire issued share capital were held by the public as at the date of this annual report.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from Tuesday, June 21, 2022 to Friday, June 24, 2022 (both days inclusive), during which period no transfer of Shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the AGM to be held on Friday, June 24, 2022, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, not later than 4:30 p.m., Monday, June 20, 2022.

By Order of the Board

Zang Weizhong

Chairman of the Board, Executive Director and Chief Executive Officer

Guangzhou, the PRC, May 15, 2022

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

The Company has adopted and applied the principles as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

Save for the deviation from code provision C.2.1 of the Corporate Governance Code as disclosed in this annual report, the Company was in compliance with the code provisions of the Corporate Governance Code during the Reporting Period.

The Board

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business and investment plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Articles of Association.

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

Delegation of Management Function

The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and other duties assigned to it from time to time. The delegated functions are periodically reviewed.

The Directors have full access to information of the Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities.

Each Director is entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Corporate Governance Report

Board Composition

The Board comprises the following Directors as at the date of this annual report:

Executive Directors:

Mr. Zang Weizhong (*Chairman and Chief Executive Officer*)

Mr. Wang Lei

Mr. Liu Hui

Non-executive Director:

Mr. Cheung King Him Edmund

INEDs:

Ms. Gu Jianlu

Ms. Wu Daxiang

Ms. Gu Ruizhen

During the year ended December 31, 2021, the Board had met the requirements of the Listing Rules that the number of INEDs must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent in the year ended December 31, 2021.

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

Appointment, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of the Directors are laid down in the Articles of Association. The primary duties of the Nomination Committee include, but are not limited to, reviewing the structure, size and composition of the Board, assessing the independence of the INEDs and making recommendations to the Board on matters relating to the appointment of the Directors.

Corporate Governance Report

Each of the executive Directors has entered into a service contract with the Company pursuant to which each of them has agreed to act as an executive Director for an initial term of three years (subject to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing. Each of the non-executive Directors has entered into a letter of appointment with the Company pursuant to which each of them has agreed to act as a non-executive Director for an initial term of three years (subject to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the letter of appointment or by either party giving to the other not less than one month' prior notice in writing. Each of the INEDs has signed a letter of appointment with the Company and has been appointed for a term of three years (subject to re-election as and when required under the Articles of Association). The appointment may be terminated by either party giving to the other not less than one month's prior notice in writing.

In accordance with the Articles of Association, all of the Directors are subject to retirement by rotation at least once every three years and the Board has power from time to time and at any time to appoint any new Director to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office until the first general meeting or the next following annual general meeting of the Company (as the case may be) after his appointment and shall then be eligible for re-election at that meeting.

Induction and Continuous Professional Development for Directors

All newly appointed Directors would be provided with necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on 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.

The Company encourages continuous professional development training for all the Directors to develop and refresh their knowledge and skills and the Directors have been requested to provide the Company with their training records.

Corporate Governance Report

Based on the information provided by the Directors, during the year ended December 31, 2021, a summary of training received by the Directors is as below:

Name of Directors	Nature of Continuous Professional Development
Executive Directors:	
Mr. Zang Weizhong (<i>Chairman and Chief Executive Officer</i>)	A, B
Mr. Wang Lei (appointed on July 7, 2021)	A, B
Mr. Liu Hui (appointed on July 7, 2021)	A, B
Ms. Sun Hongyan (stepped down on June 25, 2021)	A, B
Mr. Long Chao (stepped down on June 25, 2021)	A, B
Non-executive Directors:	
Mr. Cheung King Him Edmund	A, B
Mr. Fan Baoguo (appointed on February 10, 2021 and resigned on October 11, 2021)	A, B
INEDs:	
Ms. Gu Jianlu	A, B
Ms. Wu Daxiang	A, B
Ms. Gu Ruizhen	A, B

Notes:

A: participating in training provided by law firms and/or that are related to the business of the Company.

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

Meeting and Attendance Record of Board Meetings

Number of Meetings and Directors' Attendance

Code provision C.5.1 of the Corporate Governance Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of Directors, either in person or through electronic means of communication.

Corporate Governance Report

During the year ended December 31, 2021, 4 Board meetings were held and one annual general meeting was convened and the attendance of each Director at the Board meetings and annual general meeting are set out in the table below:

Name of Directors	Attended/ Eligible to attend the Board meetings	Attended/ Eligible to attend the annual general meeting
Mr. Zang Weizhong	4/4	1/1
Ms. Sun Hongyan (stepped down on June 25, 2021)	2/2	1/1
Mr. Long Chao (stepped down on June 25, 2021)	2/2	1/1
Mr. Wang Lei (appointed on July 7, 2021)	2/2	0/0
Mr. Liu Hui (appointed on July 7, 2021)	2/2	0/0
Mr. Cheung King Him Edmund	4/4	1/1
Mr. Fan Baoguo (appointed on February 10, 2021 and resigned on October 11, 2021)	3/3	1/1
Ms. Gu Jianlu	4/4	1/1
Ms. Wu Daxiang	4/4	1/1
Ms. Gu Ruizhen	4/4	1/1

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting will be made available to the Directors in advance.

Notices of regular Board meetings will be served to all of the Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notices were generally given.

Board papers together with all appropriate, complete and reliable information will be sent to all of the Directors at least three days before each Board meeting or committee meeting to enable them to make informed decisions.

Each Director also has separate and independent access to the senior management of the Company whenever necessary.

The senior management of the Company attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

Corporate Governance Report

The company secretary is responsible for keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to the Directors for comment within a reasonable time after each meeting and the final version is open for the Directors' inspection.

The Articles of Association contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Corporate Governance Function

The Board confirmed that corporate governance is a collective responsibility of the Directors, whose corporate governance functions includes:

- (a) review and monitor the Company's policies and practices in complying with legal and regulatory requirements;
- (b) review and monitor the training and continuous professional development of the Directors and senior management;
- (c) develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors;
- (d) develop and review the Company's corporate governance and practices, make recommendations and report on related issues to the Board;
- (e) review the Company's compliance with the corporate governance and disclosures in the Corporate Governance Report; and
- (f) review and monitor the Company's compliance with its whistleblowing policy.

Chairman and Chief Executive

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Zang currently serves as chairman of the Board and chief executive officer of the Company. He is responsible for formulation of business plans, strategies and other major decisions of the Group, as well as overall management of the Group. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and the chief executive officer in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also meets regularly on a quarterly basis to review the operations of the Company led by Mr. Zang. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board currently comprises three executive Directors (including Mr. Zang), one non-executive Director and three INEDs and therefore has a fairly strong independence element in its composition. Furthermore, decisions of the Board are made by way of majority votes. Accordingly, the Board believes that this arrangement will not have impact on the balance of power and authorizations between the Board and the management of the Company.

Corporate Governance Report

Board Committees

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee, and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All of these three committees are established with defined written terms of reference which are available at the website of the Stock Exchange and the Company.

The majority of the members of the Audit Committee, the Remuneration Committee, and the Nomination Committee are INEDs.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Company has established the Audit Committee with terms of reference in compliance with Rule 3.21 of the Listing Rules as well as paragraphs C.4 and D.3 of the Corporate Governance Code. The Audit Committee consists of three INEDs, namely Ms. Gu Jianlu, Ms. Wu Daxiang and Ms. Gu Ruizhen. The chairlady of the Audit Committee is Ms. Gu Jianlu, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee meets at least twice a year pursuant to the terms of reference for the Audit Committee. The primary duties of the Audit Committee include, but are not limited to, assisting the Board by (i) making recommendation to the Board on the appointment, reappointment and removal of the external auditor; (ii) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; (iii) developing and implementing policy on engaging an external auditor to supply non-audit services; (iv) monitoring the integrity of the Company's financial statements, annual reports and accounts, interim reports, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in such statements, reports and accounts; (v) reviewing the Company's financial controls, internal control and risk management systems; and (vi) reviewing the Group's financial and accounting policies and practices.

Major works performed by the Audit Committee during the year ended December 31, 2021 were as follows:

- review the annual results of the Group for 2020;
- review the interim results of the Group for 2021;
- review the report of the auditor regarding audit plan and strategy of the Group; and
- review the financial reporting system, compliance procedures, internal control (including internal control of fraudulence risk of the Company and the management and identification of business conflict of substantial shareholder in listed companies), risk management system and procedures and re-appointment of external auditors. The Audit Committee also considered the COVID-19 impact on the Group. The Board did not deviate from any recommendations made by the Audit Committee regarding the selection, appointment, retirement or removal of external auditors.

Corporate Governance Report

During the year ended December 31, 2021, the Audit Committee held 2 meetings and the attendance record of the Audit Committee members is set out in the table below:

Name of Audit Committee Members	Attendance/ number of meetings held
Ms. Gu Jianlu (<i>Chairlady</i>)	2/2
Ms. Wu Daxiang	2/2
Ms. Gu Ruizhen	2/2

The Company's annual results for the year ended December 31, 2021 have been reviewed by the Audit Committee on May 15, 2022. The Audit Committee considers that the annual financial results for the year ended December 31, 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Remuneration Committee

The Company has established the Remuneration Committee with terms of reference in compliance with paragraph E.1 of the Corporate Governance Code. The Remuneration Committee consists of two INEDs, namely Ms. Gu Jianlu and Ms. Gu Ruizhen, as well as an executive Director, namely Mr. Zang. Ms. Gu Jianlu serves as the chairlady of the Remuneration Committee.

The Remuneration Committee meets at least once a year pursuant to the terms of reference for the Remuneration Committee. The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) make recommendations to the Board on the Company's policy and structure for remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) make recommendations to the Board in relation to the remuneration of members of the Board who are non-executive directors; (iii) consult with the Chairman and/or the Chief Executive Officer of the Company and, where deemed appropriate, senior management members about the Committee's proposals relating to, and have the delegated responsibility to determine, the specific remuneration packages for the employment of all members of the Board who are executive directors and all senior management members; (iv) review and approve senior management's remuneration proposals with reference to the Board corporate goals and objectives; and (v) review and approve compensation arrangements relating to dismissal or removal of members of the Board and senior management members.

Major works performed by the Remuneration Committee during the year ended December 31, 2021 were as follows:

- make recommendations to the Board on the Company's remuneration policy; and
- review and approve senior management's remuneration proposals with reference to the Board corporate goals and objectives.

Corporate Governance Report

During the year ended December 31, 2021, the Remuneration Committee held 2 meetings and the attendance record of the Remuneration Committee members is set out in the table below:

Name of Remuneration Committee Members	Attendance/ number of meetings held
Ms. Gu Jianlu (<i>Chairlady</i>)	2/2
Mr. Zang	2/2
Ms. Gu Ruizhen	2/2

Details of the Directors' remuneration are set out in Note 10 to Financial Statements. In addition, the remuneration payable to the senior management of the Company (who are not the Directors) by band for the year ended December 31, 2021 are set out in the section headed "Corporate Governance Report – Remuneration of Senior Management" of this annual report.

Nomination Committee

The Company has established the Nomination Committee with terms of reference in compliance with paragraph B.3 of the Corporate Governance Code. The Nomination Committee consists of three INEDs, namely Ms. Wu Daxiang, Ms. GU Jianlu and Ms. Gu Ruizhen. Ms. Wu Daxiang serves as the chairlady of the Nomination Committee.

The Nomination Committee meets at least once a year pursuant to the terms of reference for the Nomination Committee. The primary duties of the Nomination Committee include, but are not limited to, (i) review the structure, size and composition of the Board, (ii) identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of the INEDs; (iv) make recommendations to the Board on the appointment or re-appointment of directors; and (v) determine the policy, procedures and criteria for the nomination of directors with due regard for the benefits of diversity on the Board.

Major works performed by the Nomination Committee during the year ended December 31, 2021 were as follows:

- review the structure, size and composition (including skills, diversity, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- assess the independence of INEDs; and
- make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer and the appointment of Mr. Wang Lei and Mr. Liu Hui on July 7, 2021 as executive Directors.

Corporate Governance Report

During the year ended December 31, 2021, the Nomination Committee held 2 meetings and the attendance record of the Nomination Committee members is set out in the table below:

Name of Nomination Committee Members	Attendance/ number of meetings held
Ms. Wu Daxiang (<i>Chairlady</i>)	2/2
Ms. Gu Ruizhen	2/2
Ms. Gu Jianlu (appointed on June 1, 2021)	1/1
Mr. Long Chao (stepped down on June 1, 2021)	1/1

Nomination Policy

Objectives

The key objective of the Group's nomination policy is to identify and evaluate a candidate for nomination to (i) the Board for appointment; and (ii) the Shareholders for election, as a Director.

Nomination Criteria

The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the following:

- (a) **Skills and Experience:** The candidate should possess the skills, knowledge and experience which are relevant to the operations of the Company and its subsidiaries.
- (b) **Diversity:** Candidates should be considered on merit and against objective criteria, with due regard to the diversity perspectives set out in the board diversity policy of the Company and the balance of skills and experience in Board composition.
- (c) **Commitment:** The candidate should be able to devote sufficient time to attend Board meetings and participate in induction, trainings and other board-associated activities. In particular, if the proposed candidate will be nominated as an INED and will be holding his/her seventh (or more) listed company directorship, the Nomination Committee should consider the reason given by the candidate for being able to devote sufficient time to the Board.
- (d) **Standing:** The candidate must satisfy the Board and Hong Kong Stock Exchange of that he/she has the character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a Director.
- (e) **Independence:** The candidate to be nominated as an INED must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules.

Corporate Governance Report

Nomination Procedures

If the Nomination Committee determines that an additional or replacement director is required, the Nomination Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate. The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a Shareholder as a nominee for election to the Board. On making recommendation, the Nomination Committee may submit the candidate's personal profile to the Board for consideration. The Board may appoint the candidate(s) as Director(s) to fill a casual vacancy(ies) or as an addition to the Board and recommend such candidate to Shareholders for election or re-election (where appropriate) at a general meeting of Shareholders.

Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Therefore, the Company has adopted a board diversity policy to ensure that the Company will, when determining the composition of the Board, consider board diversity in terms of, among other things, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments by the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The selection of candidates will be based on a series of diversity scopes, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be made according to the merits of candidates and their contribution to the Board.

As at the date of this annual report, the Board comprises seven Directors. Three of them are INEDs, thereby promoting critical review and control of the management process. The Board with a total of three female Directors is also characterised by significant diversity, whether considered in terms of gender, age, educational background, professional experience, skills, knowledge and length of service.

Corporate Governance Report

Remuneration of Senior Management

According to Code Provision E.1.8 of the Corporate Governance Code, the details of the annual remuneration of the senior management for the year ended December 31, 2021 which are set out in Note 11 to the Financial Statements are as follow:

Name	Remuneration and allowance (RMB)	Pension insurance (RMB)	Others (RMB)	Total (RMB)
Mr. Wen Lijun	216,583	31,450	59,095	307,128

Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2021.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements.

The senior management of the Company has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

Independent Auditor and its Remuneration

The statement of the independent auditor of the Company about their reporting responsibilities for the financial statements is set out under the section headed "Independent Auditor's Report" in this annual report.

The independent auditor of the Company will be invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor's independence.

During the Reporting Period, the remuneration paid/payable to the independent auditor of the Company for the provision of audit services and non-audit services are as below:

Type of services	Amount (RMB'000)
Audit services	2,600
Non-audit services	0
Total	2,600

Corporate Governance Report

Risk Management and Internal Controls

The Board is responsible for the establishment and maintenance of sound and effective risk management and internal control systems that are in line with the strategic objective of the Group. The Group established risk management and internal control systems to protect the interests of the Group and the Shareholders, ensure the Group is in compliance with relevant laws and regulations, effectively identify and manage significant risks in achieving its strategic objectives, protect the safety of the Group's assets, and ensure the maintenance of proper compliance accounting records and financial reports.

The executive Directors, with the coordination of the management of the Group, strive to develop, implement and maintain an internal control and risk management system by conducting on-going business reviews; evaluating significant risks faced by the Group; formulating appropriate policies, programs and authorization criteria; conducting business variance analyses of actual result versus business plan; undertaking critical path analyses to identify the impediments in attaining the corporate goals and initiating corrective measures; following up on isolated cases; identifying inherent deficiencies in the internal control system; and making timely remedies and adjustments to avoid recurrence of problems.

The Board has entrusted the Audit Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covered all material controls, including financial, operational and compliance controls.

Under the Company's risk management and internal control structure, the Board is responsible for the design, implementation and maintenance of risk management and internal control systems to ensure, amongst others, (i) appropriate policies and control procedures have been designed and established to safeguard the Group's assets against improper use or disposal; (ii) relevant laws, rules and regulations are adhered to and complied with; and (iii) reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

Corporate Governance Report

The main features of risk management and internal control structure of the Company are as follows:

- Heads of major operation units or departments manage risks through identification and mitigating risks identified in accordance with the internal guidelines approved by the Board and the Audit Committee; and
- The management ensures appropriate actions are taken on major risks affecting the Group's businesses and operations.

The internal audit function of the Company monitors the internal governance of the Company and provides independent assurances as to the adequacy and effectiveness of the Company's risk management and internal control systems. The senior executive in charge of the internal audit function reports directly to the Audit Committee. The internal audit reports on control effectiveness are to be submitted to the Audit Committee in line with agreed audit plan approved by the Board. The senior executives in charge of the internal audit function attend meetings of the Audit Committee to explain the internal audit findings and responded to queries from members of the Audit Committee.

The Company has maintained internal guidelines for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations. Senior executives of the investor relations, corporate affairs and financial control functions of the Group are delegated with responsibilities to control and monitor the proper procedures to be observed on the disclosure of inside information. Access to inside information is at all times confined to relevant senior executives and confined on "need-to-know" basis. Relevant personnel and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed. Other procedures such as pre-clearance on dealing in the Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to Directors and employees, and identification of project by code name have also been implemented by the Company to guard against possible mishandling of inside information within the Group.

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. The Audit Committee reviews such arrangement regularly and ensures that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

Corporate Governance Report

During the Reporting Period, the Company has adopted various measures to ensure the effective implementation of the internal control system, including through the half yearly review of the Group's internal control system and provision of guidance in respect of the internal control policies, responsibilities and duties of the listing company's directors and management under the Listing Rules and other applicable laws and regulations for the Directors, senior management and employees. The Board had reviewed the risk management and internal control system of the Group twice during the Reporting Period. During 2021, the Board has reviewed the effectiveness of the risk management and internal control system of the Group and considered it effective and adequate.

On the basis of the aforesaid, the Company is not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal control of the Company.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group provides reasonable assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

Communication with Shareholders and Investors

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

The general meetings of the Company are expected to provide a forum for communication between the Board and the Shareholders. The chairman of the Board as well as chairmen of the Audit Committee, the Remuneration Committee, and the Nomination Committee and, in their absence, other members of the respective committees will be available to answer questions at the general meetings. The chairman of a meeting will provide the detailed procedures for conducting a poll and answer any questions from the Shareholders on voting by poll.

To promote effective communication, the Company maintains a website at www.lvji.cn, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Constitutional Documents

There was no change to the amended and restated memorandum of association of the Company and the Articles of Association during the Reporting Period.

Corporate Governance Report

Shareholders' Rights

To safeguard the Shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the re-election of individual Directors. Meanwhile, the procedures for the Shareholders to (i) convene an extraordinary general meeting; (ii) put forward proposals at general meetings; and (iii) direct their enquiries to the Board are available.

In accordance with Article 66(1) of the Articles of Association, all resolutions put forward at a general meeting will be taken by poll save that the chairman may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

In addition, the poll results will be posted on the websites of the Company and the Stock Exchange after the relevant general meeting.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Articles of Association, any one or more Shareholders holding at the 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 Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

According to Article 59 of the Articles of Association, any extraordinary general meeting shall be called by not less than 14 clear days' notice and not less than 10 clear business days in writing. Subject to the requirement under the Listing Rules, the notice shall specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of the business to be considered at the meeting. Notice of every general meeting shall be given to all Shareholders other than to such Shareholders as, under the provisions of these Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, to all persons entitled to a share in consequence of the death or bankruptcy or winding-up of a Shareholder and to each of the Directors and the Auditors.

Putting Forward Proposals at General Meetings

There is no single provision in the Articles of Association or the Cayman Islands Companies Law for the Shareholders to put forward proposals at general meetings. The Shareholders who wish to propose a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Corporate Governance Report

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, the Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send their enquiries, concerns or requests to the Company at 31/F., 148 Electric Road, North Point, Hong Kong.

For the avoidance of doubt, the Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The information of the Shareholders may be disclosed as required by law.

Company Secretary

Ms. Lam Shi Ping (“Ms. Lam”) of Boardroom, an external service provider, has been engaged by the Company as company secretary effective on August 20, 2019.

During the financial year ended December 31, 2021, Ms. Lam had undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

The primary person at the Company with whom Ms. Lam has been contacting in respect of company secretarial matters during the Reporting Period is Mr. Zang of the Group.

Going Concern

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to the Shareholders through the optimization of the debt and equity balance.

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company’s liability to continue as a going concern.

Independent Auditor's Report

To the shareholders of Lvji Technology Holdings Inc.

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Lvji Technology Holdings Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 71 to 139, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

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

Independent Auditor's Report (Cont'd)

KEY AUDIT MATTERS (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
<p>Revenue mainly comprised income from the sale of online tour guide through online travel agencies (the "OTAs") and Lvji APP, sale of online tour guide to travel agencies and sale of customised content.</p> <p>During the year, the Group generated revenue mainly from the sale of online tour guide through OTAs, which amounted to RMB339.9 million and accounted for approximately 89% of the Group's total revenue.</p> <p>The Group sells the online tour guide to end users through OTAs. End users will fully pay to OTAs before the online tour guide is activated. OTAs are entitled to withhold and deduct prescribed fixed percentages of the gross proceeds collected from the end users as their service fees and remit the remaining amounts to the Group. Accordingly, the Group records the payments collected from end users as revenue on a gross basis and concession fees retained by OTAs are recognised in cost of sales.</p> <p>Given the significant amount and volume of transactions, the involvement of intermediaries and the risk of overstatement of revenue, we considered revenue recognition a key audit matter.</p> <p>Information about revenue recognition is disclosed in notes 3 and 6 to the financial statements.</p>	<p>Our audit procedures included, among others, obtaining an understanding of the basis of revenue recognition and the overall transaction process adopted by management and testing management's key internal controls in relation to revenue recognition.</p> <p>On a sampling basis, we reviewed and checked the relevant supporting documentation, including the contracts, monthly reconciliation records, bank slips and invoices in relation to sale of online tour guide and customised content. We also obtained confirmations from key OTAs and performed cut-off tests.</p> <p>For sale of online tour guide through OTAs, we also performed, with the assistance of our IT specialists, data analyses on the end users' behaviour with reference to the records of activation.</p> <p>We checked the adequacy of disclosures related to revenue.</p>

Independent Auditor's Report (Cont'd)

KEY AUDIT MATTERS (Cont'd)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment assessment of other intangible assets</i>	
<p>The carrying value of other intangible assets amounted to approximately RMB168.0 million as at December 31, 2021. Under HKFRSs, the intangible assets with finite useful lives are reviewed to determine whether there are any indications of impairment at each reporting period end. An impairment test for the intangible assets with finite useful lives is required if there are such indications. The impairment test is based on the value in use of each of the other intangible assets.</p>	<p>Our audit procedures included, among others, reviewing the Group's assessment of whether there had been any indications of impairment of other intangible assets with finite useful lives, evaluating management's periodic review of the useful lives of intangible assets and involving our internal valuation specialists to assist us in evaluating the models and assumptions used by the Group in the impairment tests of the intangible assets. We paid attention to the values in use of the respective other intangible assets, and the forecasts used with respect to future revenue and operating results by comparing the forecasts with the historical performance and market information about the future development of the tourism industry. We also evaluated the objectivity, competitiveness and capability of the external valuer engaged by management.</p>
<p>Management's assessment process was complex and significant judgement was involved, including the degree of subjectivity of expected future cash flow forecasts and the discount rate applied.</p>	<p>We checked the adequacy of disclosures related to other intangible assets.</p>
<p>Information about other intangible assets is disclosed in notes 3, 4 and 16 to the financial statements.</p>	

Independent Auditor's Report (Cont'd)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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.

Independent Auditor's Report (Cont'd)

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

As part of an audit in accordance with HKSAAs, we exercise professional judgement 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.

Independent Auditor's Report (Cont'd)

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

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 Siu Fung Terence Ho.

Ernst & Young

Certified Public Accountants

Hong Kong

May 15, 2022

Consolidated Statement of Profit or Loss

Year Ended December 31, 2021

	Notes	2021 (RMB'000)	2020 (RMB'000)
REVENUE	6	381,712	295,051
Cost of sales		(264,887)	(220,373)
Gross profit		116,825	74,678
Other income and gains	6	20,401	9,929
Selling and distribution expenses		(73,665)	(39,273)
Administrative expenses		(41,418)	(72,822)
Other expenses	8	(563,906)	(71,018)
Finance costs	9	(181)	(338)
LOSS BEFORE TAX	7	(541,944)	(98,844)
Income tax expense	12	(7,673)	(1,803)
LOSS FOR THE YEAR		(549,617)	(100,647)
Attributable to:			
Owners of the parent		(549,617)	(100,647)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic and diluted (RMB)		(37.55 cents)	(7.16 cents)

Consolidated Statement of Comprehensive Income

Year Ended December 31, 2021

	2021 (RMB'000)	2020 (RMB'000)
LOSS FOR THE YEAR	(549,617)	(100,647)
OTHER COMPREHENSIVE INCOME		
OTHER COMPREHENSIVE LOSS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		
Exchange differences on translation of financial statements	(7,555)	(22,210)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(7,555)	(22,210)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(7,555)	(22,210)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(557,172)	(122,857)
ATTRIBUTABLE TO:		
Owners of the parent	(557,172)	(122,857)

Consolidated Statement of Financial Position

December 31, 2021

	Notes	2021 (RMB'000)	2020 (RMB'000)
NON-CURRENT ASSETS			
Property, plant and equipment	15	2,118	3,780
Other intangible assets	16	168,039	588,384
Right-of-use assets	17(a)	2,921	4,973
Investments in associates	19	–	–
Financial assets at fair value through profit or loss	20	–	15,000
Total non-current assets		173,078	612,137
CURRENT ASSETS			
Trade receivables	21	47,895	20,497
Prepayments, deposits and other receivables	22	49,129	49,571
Amount due from a related party	33(c)	–	80
Financial assets at fair value through profit or loss	20	35,104	–
Pledged deposit	23	200	350
Cash and cash equivalents	23	359,665	516,385
Total current assets		491,993	586,883
CURRENT LIABILITIES			
Trade payables	24	10,312	2,578
Other payables and accruals	25	22,456	15,002
Contract liabilities	26	2,960	2,712
Deferred income	27	1,161	2,031
Amounts due to related parties	33(c)	3,405	–
Lease liabilities	17(b)	2,855	2,634
Tax payable		37,087	29,618
Total current liabilities		80,236	54,575
NET CURRENT ASSETS		411,757	532,308
TOTAL ASSETS LESS CURRENT LIABILITIES		584,835	1,144,445
NON-CURRENT LIABILITIES			
Deferred income	27	1,342	1,481
Lease liabilities	17(b)	248	2,547
Total non-current liabilities		1,590	4,028
Net assets		583,245	1,140,417
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	100,648	100,648
Reserves	29	482,597	1,039,769
Total equity		583,245	1,140,417

Zang Wei Zhong
DirectorWang Lei
Director

Consolidated Statement of Changes in Equity

Year Ended December 31, 2021

	Attributable to owners of the parent						
	Share capital (RMB'000) (Note 28)	Share premium (RMB'000)	Merger reserve (RMB'000) (Note 29)	Statutory reserve (RMB'000) (Note 29)	Retained profits (RMB'000)	Exchange fluctuation reserve (RMB'000)	Total equity (RMB'000)
As at January 1, 2020	758	-	374,376	29,217	259,927	408	664,686
Loss for the year	-	-	-	-	(100,647)	-	(100,647)
Exchange differences on translation of financial statements	-	-	-	-	-	(22,210)	(22,210)
Total comprehensive loss for the year	-	-	-	-	(100,647)	(22,210)	(122,857)
Issue of shares from initial public offering	21,373	564,577	-	-	-	-	585,950
Issue of shares under general mandate	3,509	37,234	-	-	-	-	40,743
Capitalisation issue	75,008	(75,008)	-	-	-	-	-
Share issue expenses	-	(28,105)	-	-	-	-	(28,105)
As at December 31, 2020	100,648	498,698*	374,376*	29,217*	159,280*	(21,802)*	1,140,417

Consolidated Statement of Changes in Equity (Cont'd)

Year Ended December 31, 2021

	Attributable to owners of the parent						
	Share capital (RMB'000) (Note 28)	Share premium (RMB'000)	Merger reserve (RMB'000) (Note 29)	Statutory reserve (RMB'000) (Note 29)	Retained profits (RMB'000)	Exchange fluctuation reserve (RMB'000)	Total equity (RMB'000)
As at January 1, 2021	100,648	498,698	374,376	29,217	159,280	(21,802)	1,140,417
Loss for the year	-	-	-	-	(549,617)	-	(549,617)
Exchange differences on translation of financial statements	-	-	-	-	-	(7,555)	(7,555)
Total comprehensive loss for the year	-	-	-	-	(549,617)	(7,555)	(557,172)
Transfer from retained profits	-	-	-	3,984	(3,984)	-	-
As at December 31, 2021	100,648	498,698*	374,376*	33,201	(394,321)	(29,357)*	583,245

* These reserve accounts comprise the consolidated reserves of RMB482,597,000 (2020: RMB1,039,769,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year Ended December 31, 2021

	Notes	2021 (RMB'000)	2020 (RMB'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(541,944)	(98,844)
Adjustments for:			
Finance costs	9	181	338
Bank interest income	6	(6,114)	(7,585)
Foreign exchange difference, net		(5,651)	(25,458)
Provision for impairment of trade receivables	21	289	207
Depreciation of property, plant and equipment	15	1,826	1,734
Depreciation of right-of-use assets	17(a)	2,702	2,220
Amortisation of other intangible assets	16	90,007	75,283
Impairment of other intangible assets	16	562,598	70,447
Fair value loss, net Financial assets at fair value through profit or loss	8	36	–
		103,930	18,342
(Increase)/decrease in trade receivables		(27,687)	26,784
Increase in prepayments, deposits and other receivables		(4,622)	(12,366)
Decrease in other non-current assets		–	1,000
Increase in amounts due to related parties		3,405	–
Increase/(decrease) in other payables and accruals		7,454	(2,527)
Increase/(decrease) in contract liabilities		248	(68)
(Decrease)/increase in deferred income		(1,009)	1,620
Decrease in a pledged deposit		150	–
		81,869	32,785
Cash generated from operations			
Interest received		11,177	2,488
Interest paid		(181)	(338)
Income tax (paid)/refund		(203)	4,307
Net cash flows from operating activities		92,662	39,242
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(729)	(829)
Proceeds from disposal of items of property, plant and equipment		565	79
Additions to other intangible assets		(224,526)	(189,361)
Advances to related parties		–	(80)
Repayment of advances to related parties		80	–
Prepayment to a third party	30	(265,941)	–
Refund of prepayment from a third party	30	265,941	–
Investment income received		(67)	–
Additions to investments measured at fair value through profit or loss		(43,140)	(15,000)
Proceeds from short-term investments measured at fair value through profit or loss		23,067	–
Net cash flows used in investing activities		(244,750)	(205,191)

Consolidated Statement of Cash Flows (Cont'd)

Year Ended December 31, 2021

	Note	2021 (RMB'000)	2020 (RMB'000)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	626,693
Share issue expenses		-	(21,480)
Principal portion of lease payments	17(b)	(2,728)	(1,945)
Net cash flows (used in)/from financing activities		(2,728)	603,268
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		516,385	77,323
Effect of foreign exchange rate changes, net		(1,904)	1,743
CASH AND CASH EQUIVALENTS AT END OF YEAR		359,665	516,385
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of cash flows and the consolidated statement of financial position		359,665	516,385

Notes to Financial Statements

December 31, 2021

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on November 7, 2018. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on January 17, 2020 (the "Listing Date").

The Company is an investment holding company. During the year, the Group was principally engaged in the business of providing online tour guide in the People's Republic of China (the "PRC"). In the opinion of the directors of the Company, the ultimate controlling shareholder of the Group is Mr. Zang Weizhong ("Mr. Zang"), the Chairman and the Chief Executive Officer.

Information about subsidiaries

As at the date of this annual report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Zhonghexin Technology Holdings Limited	British Virgin Islands November 13, 2018	–	100%	–	Investment holding
Zitop Technology Holdings Limited	Hong Kong November 19, 2018	HKD10,000	–	100%	Investment holding
Guangzhou Zhixin Information Consultancy Limited* 廣州智鑫信息諮詢有限公司(i)	PRC/Mainland China December 21, 2018	RMB300,000,000	–	100%	Investment holding
Lvji Technology Group Co. LTD* 驢跡科技集團有限公司(ii)	PRC/Mainland China December 14, 2013	RMB128,272,396	–	100%	Sale of online tour guide

Notes to Financial Statements (Cont'd)

December 31, 2021

1. CORPORATE INFORMATION (Cont'd)

Information about subsidiaries (Cont'd)

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Huor Guosi Lvji Software Technology Limited* 霍爾果斯驢跡軟件科技有限公司(ii)	PRC/Mainland China May 31, 2017	RMB1,000,000	-	100%	Sale of online tour guide
Guangzhou Lvji International Travel Agency Limited* 廣州驢跡國際旅行社有限公司(ii)	PRC/Mainland China January 31, 2018	RMB1,000,000	-	100%	Sale of online tour guide
Guangxi Lvji Software Technology Limited* 廣西驢跡軟件科技有限公司(ii)	PRC/Mainland China September 21, 2018	RMB1,000,000	-	100%	Sale of customized content
Huor Guosi Yuntai Technology Company Limited* 霍爾果斯元泰科技有限公司(ii)	PRC/Mainland China November 6, 2020	RMB1,000,000	-	100%	Sale of online tour guide
Guangzhou Lvji Digital Technology Company Limited* 廣州驢跡數字化科技有限公司(ii)(iii)	PRC/Mainland China November 17, 2020	RMB1,000,000	-	100%	Sale of online tour guide
Lvji (Longquan) Holdings Limited* 驢跡(龍泉)控股有限公司(ii)	PRC/Mainland China February 10, 2021	RMB200,000,000	-	100%	Sale of online tour guide

Notes to Financial Statements (Cont'd)

December 31, 2021

1. CORPORATE INFORMATION (Cont'd)

Information about subsidiaries (Cont'd)

Notes:

- (i) This entity is a wholly-foreign-owned enterprise established under the PRC Law.
 - (ii) These entities are limited liability enterprises established under the PRC Law.
 - (iii) This entity was renamed from Guangzhou Gaoding Technology Company Limited to Guangzhou Lvji Digital Technology Company Limited on July 6, 2021.
- * The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention, except for financial asset at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

Notes to Financial Statements (Cont'd)

December 31, 2021

2.1 BASIS OF PREPARATION (Cont'd)

Basis of consolidation (Cont'd)

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

Notes to Financial Statements (Cont'd)

December 31, 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39 and
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond
June 30, 2021 (early adopted)*

The nature and impact of the new and revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after April 1, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on January 1, 2021 and the amendment did not have any impact on the Group's consolidated financial information.

Notes to Financial Statements (Cont'd)

December 31, 2021

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{2,5}</i>
Amendments to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information²</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{2,4}</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract¹</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

¹ Effective for annual periods beginning on or after January 1, 2022

² Effective for annual periods beginning on or after January 1, 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before January 1, 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies, but the amendments are not expected to have any significant impact on the Group's financial statements.

Notes to Financial Statements (Cont'd)

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Fair value measurement

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

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

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

Notes to Financial Statements (Cont'd)

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fair value measurement (Cont'd)

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or the groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

Notes to Financial Statements (Cont'd)

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Related parties

A party is considered to be related to the Group if

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Notes to Financial Statements (Cont'd)

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment and depreciation (Cont'd)

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

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

Furniture and fixtures	20.00%–33.33%
Leasehold improvements	46.30%–100.00%

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

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

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

Other intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Copyrights

Copyrights are initially recognized and measured at cost. Copyrights are amortized on a straight-line basis over their estimated useful economic lives of 5 to 10 years.

Notes to Financial Statements (Cont'd)

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Other intangible assets (other than goodwill) (Cont'd)

Computer software

Expenditure on computer software is capitalized and amortized using the straight-line method over its estimated useful life of 10 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Buildings	2-3 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Notes to Financial Statements (Cont'd)

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**Leases (Cont'd)*****Group as a lessee (Cont'd)****(b) Lease liabilities*

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

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

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease terms.

Notes to Financial Statements (Cont'd)

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

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

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

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

Notes to Financial Statements (Cont'd)

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**Investments and other financial assets (Cont'd)*****Subsequent measurement***

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

Financial assets at amortized cost

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

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

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

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

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

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

Notes to Financial Statements (Cont'd)

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of financial assets

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

General approach

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

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

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

Notes to Financial Statements (Cont'd)

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of financial assets (Cont'd)

General approach (Cont'd)

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and lease liabilities.

Notes to Financial Statements (Cont'd)

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities (Cont'd)

Subsequent measurement

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

Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

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

Notes to Financial Statements (Cont'd)

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income tax

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

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

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Notes to Financial Statements (Cont'd)

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income tax (Cont'd)

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

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

The Group is engaged in the business of providing online tour guide and customized content.

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

Notes to Financial Statements (Cont'd)

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**Revenue recognition (Cont'd)*****Revenue from contracts with customers (Cont'd)****(a) Revenue from the sale of online tour guide through Online Travel Agencies (the "OTAs") and Lvji APP*

Revenue from the sale of online tour guide through OTAs and Lvji APP is recognized at the point in time when the guide is activated by the end user, i.e., when the end user is able to use and benefit from the online tour guide. It is considered that the Group is the principal in this arrangement as the Group controls the goods or services before that is transferred to the end users. The indicators that the Group controls the specified goods or services include, but are not limited to: (i) the Group is primarily responsible for fulfilling the promise to provide the online tour guide to end users; (ii) the Group has inventory risk before the online tour guide has been transferred to the end users; and (iii) the Group has discretion in establishing the price for the online tour guide.

The Group sells the online tour guides to end users through OTAs. End users will fully pay to OTAs before the online tour guide is activated. OTAs are entitled to withhold and deduct prescribed fixed percentages of the gross proceeds collected from the end users as their service fee and remit the remaining amounts to the Group. Accordingly, the Group records the payments collected from end users as revenue on a gross basis and concession fees retained by OTAs are recognized in cost of sales. The Group will perform monthly or quarterly reconciliation with OTAs and the normal credit term is 45 days.

(b) Revenue from the sale of online tour guide to travel agencies

Revenue from the sale of online tour guide to travel agencies is recognized at the point in time when the right to use of the online tour guide is transferred to travel agencies, that is when the right to use the tour guide is granted to the customers. The Group considered that it has transferred the control of online tour guides when the right to use the tour guides is granted to travel agencies based on the following analysis: 1) the payments made by travel agencies are not refundable and the online tour guides are not allowed to be returned to the Group; 2) travel agencies have the ability to direct the use of the tour guide by deciding whether and how to sell to end users; 3) travel agencies obtain significant risks and rewards from the right to use the tour guides by either reselling the tour guides and obtaining all of the proceeds from the sale or using the tour guides themselves.

(c) Revenue from the sale of customized content

Revenue from the sale of customized content is recognized at the point in time when the content is checked and accepted by the customers, that is when control of the customized content is transferred to the customer.

Notes to Financial Statements (Cont'd)

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Franchise income is recognized on a time proportion basis over the franchise terms.

Contract assets

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

Contract liabilities

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

Employee benefits

Pension scheme

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

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

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

Notes to Financial Statements (Cont'd)

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

These financial statements are presented in Renminbi because the Group's principal operations are carried out in Mainland China and Renminbi is the currency of the primary economic environment in which those entities operate. The functional currency of the Company is US dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

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

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

The functional currencies of the Company and certain overseas subsidiaries are currencies other than Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi at the exchange rates prevailing at the end of each reporting period and their profit or loss are translated into Renminbi at the exchange rates that approximate to those prevailing at the dates of the transactions.

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

Notes to Financial Statements (Cont'd)

December 31, 2021

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

Withholding tax arising from the distribution of dividends

The Group did not accrue deferred tax liabilities in respect of withholding taxes arising from the future distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions in which the subsidiaries are domiciled and operate during the year. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future while the Group is expanding its business in Mainland China.

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there is any indication of impairment for all non-financial assets at the end of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of the Group's non-financial assets are disclosed in notes 15, 16 and 17(a) to the consolidated financial statements.

Notes to Financial Statements (Cont'd)

December 31, 2021

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

Estimation uncertainty (Cont'd)

Useful lives and amortization of other intangible assets

The Group's management determines the estimated useful lives and related amortization for the Group's other intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization where useful lives are different to those of previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and, therefore, amortization expense in future periods. The carrying value of other intangible assets as at December 31, 2021 amounted to RMB168,039,000 (2020: RMB588,384,000). Further details are set out in note 16 to Financial Statements.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various debtor segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the travel sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of debtors' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to Financial Statements.

Current and deferred income tax

The Group is subject to taxation in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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 periods in which such determination is made.

Notes to Financial Statements (Cont'd)

December 31, 2021

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

Estimation uncertainty (Cont'd)

Current and deferred income tax (Cont'd)

Deferred income tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and tax expense in the periods in which such estimate is changed.

5. OPERATING SEGMENT INFORMATION

The Group is principally an online tour guide provider in Mainland China.

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the year, since the majority of the Group's revenue and operating profit were generated from the sale of online tour guide and customized content in Mainland China, all of the Group's identifiable assets and liabilities were located in Mainland China, and overseas income from any individual district did not exceed 10% of total revenue, no geographical segment information in accordance with HKFRS 8 Operating Segments is presented.

Information about major customers

No revenue from a single end user, travel agency, tourist attraction administrator or government office contributed to 10% or more of the total revenue of the Group during the year.

Notes to Financial Statements (Cont'd)

December 31, 2021

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	(RMB'000)	(RMB'000)
<i>Revenue from contracts with customers</i>		
Sale of online tour guide through OTAs	339,900	281,694
Sale of online tour guide to travel agencies	28,830	99
Sale of online tour guide through Lvji APP	156	256
Sale of customized content	12,826	13,002
	381,712	295,051

Revenue from contracts with customers**(i) Disaggregated revenue information**

	2021	2020
	(RMB'000)	(RMB'000)
Types of goods or services		
Sale of online tour guide	368,886	282,049
Sale of customized content	12,826	13,002
	381,712	295,051
Timing of revenue recognition		
Goods transferred at a point in time	381,712	295,051

The following table shows the amount of revenue recognized in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2021	2020
	(RMB'000)	(RMB'000)
Revenue recognized that was included in contract liabilities		
Sale of customized content	2,712	2,780

Notes to Financial Statements (Cont'd)

December 31, 2021

6. REVENUE, OTHER INCOME AND GAINS (Cont'd)**Revenue from contracts with customers (Cont'd)****(ii) Performance obligations**

Information about the Group's performance obligations is summarized below:

Revenue from the sale of online tour guide through OTAs and Lvji APP

The performance obligation is satisfied when the online tour guides are activated by end users. The end users make the payments in advance. OTAs reconcile and settle the payments received from the end users with the Group on a monthly or quarterly basis and the credit term is usually 45 days.

Revenue from the sale of online tour guide to travel agencies

The performance obligation is satisfied when the right to use the online tour guide is transferred to travel agencies and travel agencies generally pay in advance.

Revenue from the sale of customized content

The performance obligation is satisfied when the content is checked and accepted by the customers and payment is generally due within 30 days from acceptance.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	2021	2020
	(RMB'000)	(RMB'000)
Within one year	3,020	2,712

Other income and gains

	2021	2020
	(RMB'000)	(RMB'000)
Other income and gains		
Government grants (note (i))	6,039	6,487
Franchise income (note 27)	1,347	2,667
Interest income	6,114	7,585
Foreign exchange differences, net	3,757	(6,974)
Ticket agency service	1,095	-
Investment income	67	-
Others	1,982	164
	20,401	9,929

Note (i): The amount represents subsidies received from local government authorities in connection with certain tax refunds and various industry-specific subsidies. There are no unfulfilled conditions relating to such government subsidies recognized.

Notes to Financial Statements (Cont'd)

December 31, 2021

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2021	2020
	(RMB'000)	(RMB'000)
Concession fee	169,950	140,847
Depreciation of property, plant and equipment (note 15)	1,826	1,734
Amortization of other intangible assets (note 16) (note (i))	90,007	75,283
Impairment of other intangible assets (note 16)	562,598	70,447
Depreciation of right-of-use assets (note 17(a))	2,702	2,220
Lease payments not included in the measurement of lease liabilities (note 17(c))	38	32
Research and development costs	10,100	13,584
Listing expenses	-	39,561
Auditor's remuneration	2,600	2,500
Employee benefit expense (including directors' remuneration (note 10))		
Wages and salaries	26,752	30,362
Pension scheme contributions (defined contribution scheme) (note (ii))	3,751	370
	30,503	30,732
Foreign exchange differences, net	3,757	(6,974)
Impairment of trade receivables (note 21)	289	207
Fair value loss, net		
Financial assets at fair value through profit or loss (note 20)	36	-
Bank interest income	(6,114)	(7,585)
Government grants	(6,039)	(6,487)
Investment income	(67)	-

Note (i): The amortization of other intangible assets for the year is included in "cost of sales" in the consolidated statement of profit or loss.

Note (ii): There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

Notes to Financial Statements (Cont'd)

December 31, 2021

8. OTHER EXPENSES

An analysis of other expenses is as follows:

	2021	2020
	(RMB'000)	(RMB'000)
Impairment of other intangible assets (note 16)	562,598	70,447
Fair value loss, net		
Financial assets at fair value through profit or loss	36	–
Others	1,272	571
	563,906	71,018

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	(RMB'000)	(RMB'000)
Interest on lease liabilities (note 17)	181	338

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021	2020
	(RMB'000)	(RMB'000)
Fees	–	–
Salaries, allowances and benefits in kind	780	786
Pension scheme contributions	84	49
	864	835

Notes to Financial Statements (Cont'd)

December 31, 2021

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Cont'd)

(a) Independent non-executive directors

		Year ended December 31, 2021			
		Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
		(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Non-executive directors:					
		-	98	-	98
		-	98	-	98
		-	98	-	98
		-	294	-	294
Year ended December 31, 2020					
			Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	Note	Fees (RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Non-executive directors:					
		-	59	-	59
		-	12	-	12
		-	59	-	59
	(i)	-	47	-	47
		-	177	-	177

(i) On November 4, 2020, Mr. Liu Yong resigned as an independent non-executive director of the Company.

There were no fees or other emoluments payable to the independent non-executive directors during 2021 (2020: nil).

Notes to Financial Statements (Cont'd)

December 31, 2021

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Cont'd)

(b) Executive directors and non-executive directors

	Notes	Year ended December 31, 2021			
		Fees (RMB'000)	Salaries, allowances and benefits in kind (RMB'000)	Pension scheme contributions (RMB'000)	Total (RMB'000)
Executive directors:					
Mr. Zang	(i)	-	-	-	-
Mr. Liu Hui		-	362	37	399
Ms. Wang Lei		-	213	23	236
Mr. Long Chao	(ii)	-	203	29	232
Ms. Sun Hongyan	(ii)	-	283	55	338
		-	1,061	144	1,205
Non-executive directors:					
Mr. Zhang Jun	(iii)	-	-	-	-
Mr. Cheung King Him Edmund		-	-	-	-
Mr. Fan Baoguo	(iv)	-	-	-	-
		-	1,061	144	1,205
Year ended December 31, 2020					
	Notes	Fees (RMB'000)	Salaries, allowances and benefits in kind (RMB'000)	Pension scheme contributions (RMB'000)	Total (RMB'000)
Executive directors:					
Mr. Zang	(i)	-	112	9	121
Mr. Long Chao	(ii)	-	280	20	300
Ms. Sun Hongyan	(ii)	-	217	20	237
		-	609	49	658
Non-executive directors:					
Mr. Zhang Jun	(iii)	-	-	-	-
Mr. Cheung King Him Edmund		-	-	-	-
		-	609	49	658

Notes to Financial Statements (Cont'd)

December 31, 2021

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Cont'd)**(b) Executive directors and non-executive directors (Cont'd)**

- (i) Mr. Zang who acted as an executive director of the Company was also chairman and chief executive officer of the Company for the year ended December 31, 2021.
- (ii) On May 17, 2021, Ms. Sun Hongyan and Mr. Long Chao resigned as executive directors of the Company.
- (iii) On February 10, 2021, Mr. Zhang Jun resigned as a non-executive director of the Company.
- (iv) On October 11, 2021, Mr. Fan Baoguo ("Mr. Fan") resigned as a non-executive director of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

There were no fees or other emoluments payable to the non-executive directors during the year (2020: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included no director (2020: no director) and details of directors' remuneration are set out in note 10 above. Details of the remuneration for the year of the 5 (2020: 5) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021	2020
	(RMB'000)	(RMB'000)
Salaries, allowances and benefits in kind	1,514	2,253
Pension scheme contributions	187	78
	1,701	2,331

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2021	2020
Nil to HKD1,000,000	5	5

During the year, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to Financial Statements (Cont'd)

December 31, 2021

12. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the countries/ jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

The provision for Mainland China corporate income tax is based on the statutory rate of 25% of the assessable profits of the subsidiaries of the Group operating in Mainland China as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on January 1, 2008.

Lvji Technology Group Company Limited (“Lvji Technology”) was qualified as a “High-and-New Technology Enterprise” (“HNTE”) under the PRC Corporate Income Tax Law in December 2016. Lvji Technology was entitled to a preferential income tax rate of 15% for three years starting from December 2016, if the criteria for HNTE were met each year. After reapplication of HNTE in December 2019, Lvji Technology is entitled to a preferential income tax rate of 15% for three years starting from December 2019, if the criteria for HNTE are met each year.

Huoer Guosi Lvji Software Technology Limited (“Huoer Guosi Lvji”) was incorporated in Khorgos, Xinjiang, the PRC on May 31, 2017. According to the applicable regulations, Huoer Guosi Lvji is exempted from corporate income tax for five years from the first year of operation which was 2017.

Guangxi Lvji Software Technology Limited (“Guangxi Lvji”) was incorporated in Beihai, Guangxi, the PRC on September 21, 2018. According to the applicable regulations, Guangxi Lvji is entitled to a preferential income tax rate of 9% for five years from the first year of operation which was 2018.

Huoer Guosi Yuantai Technology Limited (“Yuantai Lvji”) was incorporated in Khorgos, Xinjiang, the PRC on November 6, 2020. According to the applicable regulations, Yuantai Lvji is exempted from corporate income tax for five years from the first year of operation which was 2021.

The major components of income tax expense of the Group are as follows:

	2021	2020
	(RMB'000)	(RMB'000)
Current income tax – Mainland China	9,198	2,956
Overprovision in prior year	(1,525)	(1,153)
Total tax charge for the year	7,673	1,803

Notes to Financial Statements (Cont'd)

December 31, 2021

12. INCOME TAX (Cont'd)

A reconciliation of the tax expense applicable to loss before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate, and a reconciliation of the standard tax rate to the effective tax rate, are as follows:

	2021		2020	
	(RMB'000)	%	(RMB'000)	%
Loss before tax	(541,944)		(98,844)	
Tax at the statutory tax rate	(135,485)	25.0	(24,711)	25.0
Lower tax rates for specific provinces or enacted by local authority	46,682	(7.9)	16,236	(16.4)
Overprovision in prior year	(1,525)	0.3	(1,153)	1.2
Expenses not deductible for tax	323	(0.1)	21	0.0
Tax impact of deductible temporary differences not recognised	101,666	(18.8)	10,598	(10.7)
Tax losses not recognised	262	(0.1)	812	(0.8)
Tax losses utilised from previous periods	(250)	0.1	–	–
Tax charge at the Group's effective tax rate	7,673	(1.4)	1,803	(1.8)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from January 1, 2008 and applies to earnings generated after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008. The applicable tax rate of the Group is 10%. At the end of the reporting period, deferred tax has not been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such remaining earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized at December 31, 2021 was nil (2020: RMB19,529,000). There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

13. DIVIDENDS

No dividend has been declared and paid by the Company and its subsidiaries during the year.

Notes to Financial Statements (Cont'd)

December 31, 2021

14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,463,650,000 (2020: 1,406,052,329) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended December 31, 2021 (2020: nil).

The calculation of basic earnings per share is based on:

	2021	2020
	(RMB'000)	(RMB'000)
Earnings		
Loss attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	(549,617)	(100,647)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	1,463,650,000	1,406,052,329

Notes to Financial Statements (Cont'd)

December 31, 2021

15. PROPERTY, PLANT AND EQUIPMENT

December 31, 2021

	Furniture and fixtures (RMB'000)	Leasehold improvements (RMB'000)	Construction in progress (RMB'000)	Total (RMB'000)
At January 1, 2021:				
Cost	7,315	1,257	264	8,836
Accumulated depreciation	(3,819)	(1,237)	-	(5,056)
Net carrying amount	3,496	20	264	3,780
At January 1, 2021, net of accumulated depreciation	3,496	20	264	3,780
Additions	447	-	282	729
Transfers	216	-	(216)	-
Disposals	(565)	-	-	(565)
Depreciation provided during the year	(1,806)	(20)	-	(1,826)
At December 31, 2021, net of accumulated depreciation	1,788	-	330	2,118
At December 31, 2021:				
Cost	7,413	1,257	330	9,000
Accumulated depreciation	(5,625)	(1,257)	-	(6,882)
Net carrying amount	1,788	-	330	2,118

Notes to Financial Statements (Cont'd)

December 31, 2021

15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)**December 31, 2020**

	Furniture and fixtures (RMB'000)	Leasehold improvements (RMB'000)	Construction in progress (RMB'000)	Total (RMB'000)
At January 1, 2020:				
Cost	5,698	1,227	161	7,086
Accumulated depreciation	(2,207)	(1,115)	–	(3,322)
Net carrying amount	3,491	112	161	3,764
At January 1, 2020, net of accumulated depreciation	3,491	112	161	3,764
Additions	1,535	30	264	1,829
Transfers	161	–	(161)	–
Disposals	(79)	–	–	(79)
Depreciation provided during the year	(1,612)	(122)	–	(1,734)
At December 31, 2020, net of accumulated depreciation	3,496	20	264	3,780
At December 31, 2020:				
Cost	7,315	1,257	264	8,836
Accumulated depreciation	(3,819)	(1,237)	–	(5,056)
Net carrying amount	3,496	20	264	3,780

Notes to Financial Statements (Cont'd)

December 31, 2021

16. OTHER INTANGIBLE ASSETS

December 31, 2021

	Copyrights (RMB'000)	Computer software (RMB'000)	Total (RMB'000)
At January 1, 2021:			
Cost	793,978	138	794,116
Accumulated amortization and impairment	(205,701)	(31)	(205,732)
Net carrying amount	588,277	107	588,384
Cost at January 1, 2021, net of accumulated amortization and impairment	588,277	107	588,384
Additions	232,260	-	232,260
Amortization provided during the year	(89,993)	(14)	(90,007)
Impairment during the year	(562,598)	-	(562,598)
At December 31, 2021	167,946	93	168,039
At December 31, 2021:			
Cost	1,026,238	138	1,026,376
Accumulated amortization and impairment	(858,292)	(45)	(858,337)
Net carrying amount	167,946	93	168,039

December 31, 2020

	Copyrights (RMB'000)	Computer software (RMB'000)	Total (RMB'000)
At January 1, 2020:			
Cost	614,308	138	614,446
Accumulated amortization	(59,985)	(17)	(60,002)
Net carrying amount	554,323	121	554,444
Cost at January 1, 2020, net of accumulated amortization	554,323	121	554,444
Additions	179,670	-	179,670
Amortization provided during the year	(75,269)	(14)	(75,283)
Impairment during the year	(70,447)	-	(70,447)
At December 31, 2020	588,277	107	588,384
At December 31, 2020:			
Cost	793,978	138	794,116
Accumulated amortization and impairment	(205,701)	(31)	(205,732)
Net carrying amount	588,277	107	588,384

Notes to Financial Statements (Cont'd)

December 31, 2021

16. OTHER INTANGIBLE ASSETS (Cont'd)

As of December 31, 2021, notwithstanding the growth in the Group's overall revenue in the current financial year, the resurgence of the pandemic situation during the financial year has inevitably caused certain impact on both the overall tourism markets and business operation of the Group, mainly due to implementation of precautionary control measures requirements by the relevant local authorities, which inter alia, imposing travel restrictions and homestay restriction orders for the affected locations, temporary closure of tourists attraction areas in the domestic markets, limitation of traveling abroad and the immigration quarantine requirements that resulting decline in the overall sales demand of its overseas market. Given the dynamic and uncertainties of the pandemic situation, the management engaged an independent professional valuer to perform the impairment testing on copyrights for online tour guides. The recoverable amount of each copyright has been determined based on the value in use and the pre-tax discount rate applied to the cash flow projections is 25.36% (2020: 19.73%). As of December 31, 2021, the carrying amounts of certain copyrights were written down to the recoverable amounts of RMB77,292,000 (2020: RMB174,869,000), with the total impairment loss of RMB562,598,000 (2020: RMB70,447,000) charged to profit or loss during the year ended December 31, 2021.

17. LEASES

The Group as a lessee

The Group entered into several long-term lease contracts for a property lease with lease terms of 2 to 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	2021	2020
	(RMB'000)	(RMB'000)
Carrying amount at January 1,	4,973	5,201
Additions	777	1,992
Disposal	(127)	-
Depreciation charge	(2,702)	(2,220)
Carrying amount at December 31,	2,921	4,973

Notes to Financial Statements (Cont'd)

December 31, 2021

17. LEASES (Cont'd)**The Group as a lessee (Cont'd)****(b) Lease liabilities**

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021	2020
	(RMB'000)	(RMB'000)
Carrying amount at January 1,	5,181	5,134
New leases	777	1,992
Accretion of interest recognized during the year	181	338
Payments	(2,909)	(2,283)
Disposal	(127)	-
Carrying amount at December 31,	3,103	5,181
Analyzed into:		
Current	2,855	2,634
Non-current	248	2,547
	3,103	5,181

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

(c) The amounts recognized in profit or loss in relation to leases are as follows:

	2021	2020
	(RMB'000)	(RMB'000)
Interest on lease liabilities	181	338
Depreciation charge of right-of-use assets	2,702	2,220
Expense relating to short-term leases (included in administrative expenses)	38	32
Total amount recognized in profit or loss	2,921	2,590

(d) The total cash outflow for leases are disclosed in note 30(c) to the financial statements.

Notes to Financial Statements (Cont'd)

December 31, 2021

18. DEFERRED TAX ASSETS

The Group has tax losses arising in Mainland China of RMB10,244,000 as at December 31, 2021 (2020: RMB8,750,000), which will expire in four to five years for offsetting against future taxable profits. The Group has tax losses arising in Hong Kong of RMB41,000 as at December 31, 2021 (2020: RMB16,000), which are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognized in respect of these losses as they have arisen in subsidiaries that have been loss-making since the incorporation of these subsidiaries and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

Deferred tax assets have not been recognised in respect of the following items:

	2021	2020
	(RMB'000)	(RMB'000)
Tax losses	10,285	8,766
Deductible temporary differences	652,370	70,654
	662,655	79,420

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

19. INVESTMENTS IN ASSOCIATES

	2021	2020
	(RMB'000)	(RMB'000)
Share of net assets	-	-

Notes to Financial Statements (Cont'd)

December 31, 2021

19. INVESTMENTS IN ASSOCIATES (Cont'd)

Particulars of the associates are as follows, which are not material to the Group:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Guangzhou Hongyou Technology Co., Ltd. 廣州市鴻優科技有限公司	Ordinary shares	PRC/Mainland China	40	Software Development
Guangzhou Ziang Information Technology Co., Ltd. 廣州子昂資訊科技有限公司	Ordinary shares	PRC/Mainland China	40	Ticket Service
Guangzhou Wenjingyi Advertising Media Co., Ltd. 廣州市文景逸廣告傳媒有限公司	Ordinary shares	PRC/Mainland China	40	Advertisement design

The Group's shareholdings in the associates all comprise equity shares held through a wholly-owned subsidiary of the Company.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 (RMB'000)	2020 (RMB'000)
Unlisted investment, at fair value		
Structured deposits (note (i))	20,104	—
Chongqing Chengyu Baijing Cultural Industry Equity Investment Fund Partnership (Limited Partnership) (note (ii))	15,000	15,000
Chongqing Mixiangcheng Culture Media Co., Ltd. (note (iii))	—	—
	35,104	15,000
Analyzed into:		
Current	35,104	—
Non-current	—	15,000
	35,104	15,000

Notes to Financial Statements (Cont'd)

December 31, 2021

**20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
(Cont'd)**

	2021	2020
	(RMB'000)	(RMB'000)
At January 1, 2021	15,000	–
Additions (note (iv))	43,140	15,000
Net gain from fair value adjustment	31	–
Disposal (note (iv))	(23,067)	–
At December 31, 2021	35,104	15,000

Note (i): The structured deposits were issued by commercial banks and financial institutions in Mainland China, and classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest, and was held for trading in nature.

Note (ii): In November 2021, the Group decided to withdraw its capital contribution of RMB15,000,000, of which was fully received in February 2022. Subsequent to the balance sheet date, the applicable registration process for change in shareholder is still pending from the final approvals of the relevant authorities.

Note (iii): In July 2021, the Company contributed capital of RMB140,000, represented 10% of the total registered capital of Chongqing Mixiangcheng Culture Media Co., Ltd. ("CMCM"), and was classified as financial asset at fair value through profit or loss as it was held for trading in nature. The fair value as at balance sheet date was assessed as immaterial in view of the CMCM is temporarily ceased operation.

Note (iv): The additions and disposals were mainly related to structured deposits during the financial year.

21. TRADE RECEIVABLES

	2021	2020
	(RMB'000)	(RMB'000)
Trade receivables	48,255	20,704
Impairment of trade receivables	(360)	(207)
	47,895	20,497

The Group's trading terms with OTAs are mainly on credit. The credit period for OTAs is generally 45 days. Each OTA has a maximum credit limit. The credit period for other customers is generally 30 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes to Financial Statements (Cont'd)

December 31, 2021

21. TRADE RECEIVABLES (Cont'd)

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2021	2020
	(RMB'000)	(RMB'000)
Within 3 months	43,529	19,532
3 to 6 months	738	297
6 months to 1 year	3,131	140
Over 1 years	497	528
	47,895	20,497

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021	2020
	(RMB'000)	(RMB'000)
At beginning of year	207	-
Impairment for the year	289	207
Impairment provision written off during the year	(136)	-
At end of year	360	207

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. At the end of the reporting period, the probability of default is minimal for debtors other than defaulted receivables, with expected credit loss rates of 0.16% to 14.31%. Trade receivables for which the balances are overdue with ageing of more than a year and trade receivables where counterparties failed to make the demanded repayments are defaulted receivables, which are fully provided.

Notes to Financial Statements (Cont'd)

December 31, 2021

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
	(RMB'000)	(RMB'000)
Prepayments to suppliers	25,546	33,558
Contract cost	2,043	2,386
Deposit	5,851	4,000
Interest receivable	34	5,097
Prepaid taxes and other tax recoverable	13,847	308
Government grant receivable	-	46
Other receivables	1,808	4,176
	49,129	49,571

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. The majority of the above balances were settled within 12 months and had no historical default. During the year, the Group estimated that the expected loss rate for the above receivables was insignificant.

23. CASH AND CASH EQUIVALENTS AND A PLEDGED DEPOSIT

	2021	2020
	(RMB'000)	(RMB'000)
Cash and bank balances	359,865	516,735
Less: Pledged deposit	(200)	(350)
Cash and cash equivalents	359,665	516,385

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB288,659,000 (2020: RMB99,640,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

The pledged deposit was pledged to the government authorities for conducting tourist-related business in Mainland China.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Notes to Financial Statements (Cont'd)

December 31, 2021

24. TRADE PAYABLES

	2021	2020
	(RMB'000)	(RMB'000)
Trade payables	10,312	2,578

An aging analysis of the trade payables at the end of the reporting period, based on the transaction date, is as follows:

	2021	2020
	(RMB'000)	(RMB'000)
Within 3 months	10,042	2,422
3 to 12 months	143	29
1 to 2 years	-	127
2 to 3 years	127	-
	10,312	2,578

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

25. OTHER PAYABLES AND ACCRUALS

	2021	2020
	(RMB'000)	(RMB'000)
Other payables	7,090	6,073
Payroll and welfare payables	3,448	7,248
Other tax payable	11,918	1,681
	22,456	15,002

Other payables are non-interest-bearing and repayable on demand.

Notes to Financial Statements (Cont'd)

December 31, 2021

26. CONTRACT LIABILITIES

Contract liabilities include unsatisfied performance obligations resulting from contracts of customized content for which the Group has received consideration at the end of the reporting period. Contract liabilities are recognized as revenue upon the Group satisfying its performance obligations under the relevant contracts.

	2021	2020
	(RMB'000)	(RMB'000)
Sale of customized content	2,960	2,712

Movements in contract liabilities during the year are as follows:

	2021	2020
	(RMB'000)	(RMB'000)
At the beginning of the year	2,712	2,780
Additions	13,074	12,934
Revenue recognized during the year	(12,826)	(13,002)
At the end of the year	2,960	2,712

27. DEFERRED INCOME

	2021	2020
	(RMB'000)	(RMB'000)
At the beginning of the year	3,512	1,892
Additions	338	4,287
Released to franchise income (note 6)	(1,347)	(2,667)
At the end of the year	2,503	3,512
Less: Current portion	(1,161)	(2,031)
Non-current portion	1,342	1,481

Deferred income represents the payment received in advance from franchisees for the right to use the brand name of the Group. These franchise payments are released to other income and gains over the franchise period.

Notes to Financial Statements (Cont'd)

December 31, 2021

28. SHARE CAPITAL**Shares**

	2021 (RMB'000)	2020 (RMB'000)
Issued and fully paid: 1,463,650,000 (2020: 1,463,650,000) ordinary shares of US\$0.01 each	100,648	100,648

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital (USD'000)	Share capital (RMB'000 Equivalent)
Issued and fully paid:			
At January 1, 2020	11,000,000	110	758
Issue of shares from the initial public offering (note (a))	310,300,000	3,103	21,373
Capitalization issue (note (b))	1,089,000,000	10,890	75,008
Issue of shares under the general mandate (note (c))	53,350,000	534	3,509
At December 31, 2020 and 2021	1,463,650,000	14,637	100,648

Note (a): On the Listing Date, 310,300,000 new ordinary shares were issued in connection with the Company's initial offering on the Stock Exchange.

Note (b): Pursuant to a written resolution of the shareholders of the Company passed on December 20, 2019, a total of 1,089,000,000 shares of US\$0.01 each were allotted and issued at par value to the shareholders as of the date immediately before the Listing Date in proportion by way of capitalization of US\$10,890,000 (the "Capitalization Issue") from the Company's share premium account on the Listing Date.

Note (c): On October 12, 2020, the Company entered into the subscription agreements with the subscribers, pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue an aggregate of 53,350,000 subscription shares. On October 28, 2020, 53,350,000 new ordinary shares were issued according to the Subscription Agreements. The subscription shares were allotted and issued under the general mandate.

Notes to Financial Statements (Cont'd)

December 31, 2021

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 74 and 75 of the financial statements.

Statutory reserve

In accordance with the PRC Company Law and the articles of association of the Group's PRC subsidiaries, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilized to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages.

Merger reserve

The merger reserve of the Group represents the capital contribution from the then equity holders of the Group's subsidiaries. The additions represent the injection of additional paid-up capital by the then equity holders of the Group's subsidiaries, which were consolidated from the earliest date presented or since the date of incorporation of the subsidiaries.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB777,000 (2020: RMB1,992,000) in respect of new lease arrangements for a property.

(b) Changes in liabilities arising from financing activities

	Lease liabilities (RMB'000)
At January 1, 2021	5,181
Changes from financing cash flows	(2,728)
New leases	777
Disposal	(127)
Interest expense	181
Interest paid classified as operating cash flows	(181)
At December 31, 2021	3,103

Notes to Financial Statements (Cont'd)

December 31, 2021

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)**(b) Changes in liabilities arising from financing activities (Cont'd)**

	Lease liabilities (RMB'000)
At January 1, 2020	5,134
Changes from financing cash flows	(1,945)
New leases	1,992
Interest expense	338
Interest paid classified as operating cash flows	(338)
At December 31, 2020	5,181

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2021 (RMB'000)	2020 (RMB'000)
Within operating activities	219	370
Within financing activities	2,728	1,945
	2,947	2,315

- (d)** During the financial year, the Group ventured into ticketing service of tourists attraction areas in order to develop a new stream of business activity, and entered into a strategic cooperation agreement with an independent third party to jointly cooperate for the ticketing agency services for selected tourists attraction areas nationwide. As at December 31, 2021, the Group secured a number of ticketing agency agreements with tourists attraction authorities and generated service income classified as other income (refer to note 6). Subsequent to the balance sheet date, in view of the overall performance of the ticketing income was below the Group's expectation, the Group and the independent third party mutually agreed to terminate the strategic cooperation agreement in February 2022, and the cashflows incurred was related to prepayments for ticketing service deposits as required by the applicable tourists attraction authorities.

Notes to Financial Statements (Cont'd)

December 31, 2021

31. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2021 (RMB'000)	2020 (RMB'000)
Contracted, but not provided for:		
Capital contributions payable to an associate	30,000	–

32. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

33. RELATED PARTY TRANSACTIONS AND BALANCES

The directors of the Company are of the view that the following parties are related parties that had transactions or balances with the Group during the year.

(a) Name and relationship

Name of related parties	Relationship with the Group and the Company
Mr. Zang	A substantial shareholder
Mr. Fan	A substantial shareholder

(b) Related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2021 (RMB'000)	2020 (RMB'000)
Advances to a related party:		
Mr. Zang	–	80
Repayment of advances to a related party:		
Mr. Zang	80	–
Advances from related parties:		
Mr. Zang	2,449	–
Mr. Fan	956	–
	3,405	–

The advances from and to related parties are unsecured, interest-free and repayable on demand.

Notes to Financial Statements (Cont'd)

December 31, 2021

33. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)**(c) Outstanding balances with related parties**

The Group had the following balances with related parties:

	2021 (RMB'000)	2020 (RMB'000)
Amount due from a related party:		
Mr. Zang	-	80

	2021 (RMB'000)	2020 (RMB'000)
Amounts due to related parties:		
Mr. Zang	2,449	-
Mr. Fan	956	-
	3,405	-

The maximum amount due from a related party outstanding during the year are set out below:

	2021 (RMB'000)	2020 (RMB'000)
Maximum amount due from a related party outstanding:		
Mr. Zang	80	80

The related party balances are non-trade in nature, unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group

	2021 (RMB'000)	2020 (RMB'000)
Short-term employee benefits	780	786
Contributions to the pension scheme	84	49
	864	835

Notes to Financial Statements (Cont'd)

December 31, 2021

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

2021***Financial assets***

	Financial assets at fair value through profit or loss		Total (RMB'000)
	Mandatorily designated as such (RMB'000)	Financial assets at amortized cost (RMB'000)	
Trade receivables	–	47,895	47,895
Financial assets included in prepayments, deposits and other receivables	–	7,692	7,692
Financial assets at fair value through profit or loss	35,104	–	35,104
Pledged deposit	–	200	200
Cash and cash equivalents	–	379,665	379,665
	35,104	415,452	450,556

Financial liabilities

	Financial liabilities at amortized cost (RMB'000)
Trade payables	10,312
Financial liabilities included in other payables and accruals	7,090
Amounts due to related parties	3,405
Lease liabilities	3,103
	23,910

Notes to Financial Statements (Cont'd)

December 31, 2021

34. FINANCIAL INSTRUMENTS BY CATEGORY (Cont'd)

2020

Financial assets

	Financial assets at fair value through profit or loss		Total (RMB'000)
	Mandatorily designated as such (RMB'000)	Financial assets at amortized cost (RMB'000)	
Trade receivables	–	20,497	20,497
Financial assets included in prepayments, deposits and other receivables	–	13,319	13,319
Amounts due from a related party	–	80	80
Financial assets at fair value through profit or loss	15,000	–	15,000
Pledged deposit	–	350	350
Cash and cash equivalents	–	516,385	516,385
	15,000	550,631	565,631

Financial liabilities

	Financial liabilities at amortized cost (RMB'000)
Trade payables	2,578
Financial liabilities included in other payables and accruals	6,073
Lease liabilities	5,181
	13,832

Notes to Financial Statements (Cont'd)

December 31, 2021

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at December 31, 2021, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, a pledged deposit, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, amounts due from a related party, amounts due to related parties and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total (RMB'000)
	Quoted prices in active markets (level 1) (RMB'000)	Significant observable inputs (level 2) (RMB'000)	Significant unobservable inputs (level 3) (RMB'000)	
As at December 31, 2021				
Financial assets at fair value through profit or loss	–	35,104	–	35,104

	Fair value measurement using			Total (RMB'000)
	Quoted prices in active markets (level 1) (RMB'000)	Significant observable inputs (level 2) (RMB'000)	Significant unobservable inputs (level 3) (RMB'000)	
As at December 31, 2020				
Financial assets at fair value through profit or loss	–	15,000	–	15,000

Notes to Financial Statements (Cont'd)

December 31, 2021

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and lease liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are summarized below.

Foreign currency risk

The Group has currency exposures from its cash and cash equivalents.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and HKD exchange rate, with all other variables held constant, of the Group's loss before tax (due to retranslation of monetary assets and liabilities).

	(Decrease)/ increase in USD and HKD rate %	Increase/ (decrease) in profit before tax (RMB'000)
2021		
If RMB weakens against USD	5	3,378
If RMB strengthens against USD	(5)	(3,378)
If RMB weakens against HKD	5	2
If RMB strengthens against HKD	(5)	(2)
2020		
If RMB weakens against USD	5	19,865
If RMB strengthens against USD	(5)	(19,865)
If RMB weakens against HKD	5	977
If RMB strengthens against HKD	(5)	(977)

Notes to Financial Statements (Cont'd)

December 31, 2021

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all debtors who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in notes 21 and 22 to the financial statements, respectively.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by debtor. At the end of the reporting period, the Group had certain concentrations of credit risk with respect to trade receivables as follows:

	2021	2020
Due from the largest debtor	31%	43%
Due from the five largest debtors	83%	88%

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at December 31.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

Notes to Financial Statements (Cont'd)

December 31, 2021

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)**Maximum exposure and year-end staging (Cont'd)***As at December 31, 2021*

	12-month ECLs	Lifetime ECLs			Total (RMB'000)
	Stage 1 (RMB'000)	Stage 2 (RMB'000)	Stage 3 (RMB'000)	Simplified approach (RMB'000)	
Trade receivables*	-	-	-	48,255	48,255
Financial assets included in prepayments, other receivables and other assets					
- Normal**	7,692	-	-	-	7,692
Pledged deposits					
- Not yet past due	200	-	-	-	200
Cash and cash equivalents					
- Not yet past due	359,665	-	-	-	359,665
	367,557	-	-	48,255	415,812

As at December 31, 2020

	12-month ECLs	Lifetime ECLs			Total (RMB'000)
	Stage 1 (RMB'000)	Stage 2 (RMB'000)	Stage 3 (RMB'000)	Simplified approach (RMB'000)	
Trade receivables*	-	-	-	20,704	20,704
Amounts due from a related party	80	-	-	-	80
Financial assets included in prepayments, other receivables and other assets					
- Normal**	13,319	-	-	-	13,319
Pledged deposits					
- Not yet past due	350	-	-	-	350
Cash and cash equivalents					
- Not yet past due	516,385	-	-	-	516,385
	530,134	-	-	20,704	550,838

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Notes to Financial Statements (Cont'd)

December 31, 2021

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)**Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of lease liabilities.

The tables below summarize the maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments.

	On demand (RMB'000)	Less than 3 months (RMB'000)	3 to 12 months (RMB'000)	1 to 5 years (RMB'000)	Total (RMB'000)
December 31, 2021					
Trade payables	–	10,042	143	127	10,312
Amounts due to related parties	3,405	–	–	–	3,405
Other payables	7,090	–	–	–	7,090
Lease liabilities	–	735	2,120	419	3,274
	10,495	10,777	2,263	546	24,081
December 31, 2020					
Trade payables	–	2,578	–	–	2,578
Other payables	6,073	–	–	–	6,073
Lease liabilities	–	584	1,848	3,072	5,504
	6,073	3,162	1,848	3,072	14,155

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2021 and December 31, 2020.

Notes to Financial Statements (Cont'd)

December 31, 2021

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)**Capital management (Cont'd)**

The Group's capital includes total equity. The Group monitors capital using a debt-to-asset ratio. The debt-to-asset ratios as at the end of each of the reporting periods were as follows:

	As at December 31,	
	2021 (RMB'000)	2020 (RMB'000)
Total liabilities	81,826	58,603
Total assets	665,071	1,199,020
Debt-to-asset ratios	12%	5%

37. EVENTS AFTER THE REPORTING PERIOD

- a) The resurgence of the pandemic situation in Mainland China has inevitably caused certain consequential impacts on the tourism markets and business operation of the Group, mainly due to travel restrictions and applicable precautionary measures undertaken by the relevant local authorities, which inter alia, temporary closure of tourist attraction areas for the affected locations, delays in resumption of business of the Group's suppliers during the outbreak period, limitation for domestic tourists in traveling abroad and the decline in sales demand of its overseas markets etc.

The Group estimates that the degree of the pandemic implication will be mainly dependent on the duration of travel restrictions and the preventive control measurements of the respective local authorities. Given the dynamic circumstances and uncertainties surrounding the pandemic situation, the Group will keep attention on the development and react actively to its impacts on the operation and financial position of the Group, and should there be any significant financial impacts, the Company will reflect it in the Group's 2022 interim and annual financial statements.

- b) As detailed in the Company's announcement dated January 21, 2022, the Company adopted a Share Award Scheme (the "Scheme") for which the employees will be entitled to participate. The Scheme is a discretionary scheme of the Company, and does not constitute a share option scheme nor an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

Notes to Financial Statements (Cont'd)

December 31, 2021

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021	2020
	(RMB'000)	(RMB'000)
NON-CURRENT ASSETS		
Investments in subsidiaries (note (i))	-	-
Total non-current assets	-	-
CURRENT ASSETS		
Amount due from a related party	474,712	151,441
Due from shareholders	-	80
Prepayments, deposits and other receivables	180	5,096
Cash and cash equivalents	70,574	403,695
Total current assets	545,466	560,312
CURRENT LIABILITIES		
Trade payables	-	101
Amounts due to related parties	3,405	-
Other payables and accruals	1,001	416
Total current liabilities	4,406	517
TOTAL ASSETS LESS CURRENT LIABILITIES	541,060	559,795
Net assets	541,060	559,795
EQUITY		
Share capital	100,648	100,648
Reserves (note (ii))	440,412	459,147
Total equity	541,060	559,795

Notes to Financial Statements (Cont'd)

December 31, 2021

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

Note (i): Zhonghexin Technology Holdings Limited ("Lvji BVI") was incorporated with limited liability in the British Virgin Islands (the "BVI") on November 13, 2018 and was authorized to issue up to a maximum of 50,000 ordinary shares of a single class without par value. On the same day, 50,000 shares, representing all the issued shares of Lvji BVI, were issued and allotted to the Company.

Note (ii): A summary of the Company's reserves is as follows:

	Share premium (RMB'000)	Accumulated losses (RMB'000)	Exchange fluctuation reserve (RMB'000)	Total equity (RMB'000)
As at January 1, 2020	-	(187)	8	(179)
Loss for the year	-	(6,095)	-	(6,095)
Other comprehensive loss for the year	-	-	(33,277)	(33,277)
Total comprehensive loss for the year	-	(6,095)	(33,277)	(39,372)
Issue of shares from initial public offering	564,577	-	-	564,577
Issue of shares under general mandate	37,234	-	-	37,234
Capitalisation issue	(75,008)	-	-	(75,008)
Share issue expenses	(28,105)	-	-	(28,105)
As at December 31, 2020 and January 1, 2021	498,698	(6,282)	(33,269)	459,147
Loss for the year	-	(5,832)	-	(5,832)
Other comprehensive loss for the year	-	-	(12,903)	(12,903)
Total comprehensive loss for the year	-	(5,832)	(12,903)	(18,735)
As at December 31, 2021	498,698	(12,114)	(46,172)	440,412

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on May 15, 2022.

Five-Year Performance Review

RESULTS

	Year ended December 31,				
	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)	2017 (RMB'000)
REVENUE	381,712	295,051	541,813	301,692	71,613
Gross profit	116,825	74,678	232,382	141,153	34,198
(LOSS)/PROFIT BEFORE TAX	(541,944)	(98,844)	171,363	115,794	29,817
(LOSS)/PROFIT FOR THE YEAR	(549,617)	(100,647)	160,784	99,783	25,560

ASSETS AND LIABILITIES

	As of December 31,				
	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)	2017 (RMB'000)
ASSETS					
Non-current assets	173,078	612,137	568,409	213,616	61,490
Current assets	491,663	586,883	158,389	241,685	30,958
Total assets	665,071	1,199,020	726,798	455,301	92,448
EQUITY					
Equity attributable to owners of the parent	583,245	1,140,417	664,686	406,031	77,577
Total equity	583,245	1,140,417	664,686	406,031	77,577
LIABILITIES					
Non-current liabilities	1,590	4,028	4,791	1,546	3,484
Current liabilities	80,236	54,575	57,321	47,724	11,387
Total liabilities	81,826	58,603	62,112	49,270	14,871
Total equity and liabilities	665,071	1,199,020	726,798	455,301	92,448

Definition

In this annual report, unless the context otherwise require, the following expressions shall have the following meaning:

“2020”	the year ended December 31, 2020
“2021”	the year ended December 31, 2021
“Adoption Date”	January 21, 2022, being the date on which the Share Award Scheme is adopted by the Company
“AGM”	the 2022 annual general meeting of the Company to be held on June 24, 2022 or any adjournment thereof
“AI”	artificial intelligence
“API”	application programming interface, a set of clearly defined methods of communication between various software components
“APP”	application software designed to run on smartphones and other mobile devices
“Articles of Association”	the articles of association of the Company adopted on December 20, 2019 and effective on January 17, 2020 and as amended from time to time
“Audit Committee”	the audit committee of the Board
“Awarded Shares”	in respect of a Selected Employee, such number of Shares as awarded by the Board
“Board”	the board of directors of the Company
“Boardroom”	Boardroom Corporate Services (HK) Limited
“BOCIFP”	BOCI Financial Products Limited (中銀國際金融產品有限公司) (formerly known as Binten Inc.), a company incorporated in the BVI with limited liability on June 15, 2000
BVI	the British Virgin Islands

Definition

“China” or “PRC”	the People’s Republic of China, except where the context requires otherwise and only for the purposes of this annual report, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “Lvji”	Lvji Technology Holdings Inc. (驢跡科技控股有限公司), an exempted company with limited liability incorporated on November 7, 2018 in the Cayman Islands
“Consolidated Financial Statements”	consolidated financial statements of the Group for the year ended December 31, 2021
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and unless the context otherwise requires, refers to Mr. Zang, Lu Jia Technology, Mr. Fan, Invest Profit, Qifu Honglian LLP, Qifu Honglian BVI, Jieming Sanhao LLP and Jieming Sanhao BVI
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“COVID-19”	2019 novel coronavirus disease
“Director(s)”	the director(s) of the Company
“Employee(s)”	any employee (including without limitation any executive director) of any member of the Company and its subsidiaries from time to time
“Excluded Employee(s)”	any Employee who is resident in a place where the award of the Awarded Shares and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Employee
“GAAP”	generally accepted accounting principles
“Global Offering”	the offering of the Company’s Shares as described in the Prospectus
“Group”	the Company and its subsidiaries from time to time

Definition

“Guangxi Lvji”	廣西驢跡軟件科技有限公司 (Guangxi Lvji Software Technology Limited*), a company established in the PRC with limited liability on September 21, 2018 and an indirect wholly-owned subsidiary of our Company
“Guangzhou Lvji”	廣州驢跡國際旅行社有限公司 (Guangzhou Lvji International Travel Agency Limited*), a company established in the PRC with limited liability on January 31, 2018 and an indirect wholly-owned subsidiary of our Company
“H5”	a mark-up language used for structuring and presenting content on the World Wide Web, the fifth and current major version of the HTML standard
“HKD” or “HKS”	Hong Kong Dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretation) issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huoer Guosi Lvji”	霍爾果斯驢跡軟件科技有限公司 (Huoer Guosi Lvji Software Technology Limited*), a company established in the PRC with limited liability on May 31, 2017 and an indirect wholly-owned subsidiary of our Company
“ICP License”	Value added Telecommunications Services Operating Permit for Internet information services
“INEDs”	the independent non-executive Directors
“Invest Profit”	Invest Profit Technology Holdings Limited, a company incorporated in the BVI with limited liability on November 6, 2018 which is wholly owned by Mr. Fan and our Controlling Shareholder
“Jieming Sanhao BVI”	Jieming Culture & Travel Investment Ltd. (捷銘文旅投資有限公司), a company incorporated in the BVI with limited liability on January 2, 2019 which is wholly owned by Jieming Sanhao LLP and our Controlling Shareholder

Definition

“Jieming Sanhao LLP”	廣州市捷銘叁號投資企業(有限合夥) (Guangzhou Jieming No. 3 Investment Enterprise (Limited Partnership)*), a limited partnership established in the PRC on May 26, 2016, a Pre-IPO Investor and our Controlling Shareholder
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange, which occurred on the Listing Date
“Listing Date”	January 17, 2020, the date on which the Shares are listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Lu Jia Technology”	Lu Jia Technology Holdings Limited, a company incorporated in the BVI with limited liability on November 6, 2018 which is wholly owned by Mr. Zang and our Controlling Shareholder
“Lvji Technology”	Lvji Technology Group Co. LTD (驢跡科技集團有限公司) (formerly known as 廣州市驢跡科技有限責任公司), a company established in the PRC with limited liability on December 14, 2013 and an indirect wholly-owned subsidiary of our Company
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Mr. Fan”	樊保國 (Fan Baoguo*), a PRC resident, our Controlling Shareholder
“Mr. Zang”	臧偉仲 (Zang Weizhong*), a PRC resident and an executive Director, chairman of the Board, chief executive officer and our Controlling Shareholder
“Nomination Committee”	nomination committee of the Board
“OTA”	online travel agency
“Prospectus”	the prospectus dated December 31, 2019 issued by the Company

Definition

“Qifu Honglian BVI”	QF HL LJ Limited, a company incorporated in the BVI with limited liability on November 13, 2018 which is wholly owned by Qifu Honglian LLP and our Controlling Shareholder
“Qifu Honglian LLP”	長興啓賦宏聯股權投資合夥企業(有限合夥) (Changxing Qifu Honglian Equity Investment (Limited Partnership)*) (formerly known as 長興啓賦宏聯投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on June 29, 2016, a Pre-IPO Investor and our Controlling Shareholder
“R&D”	research and development
“Remuneration committee”	the remuneration committee of the Board
“Reporting Period”	the year ended December 31, 2021
“RMB”	Renminbi, the lawful currency of China
“Selected Employee(s)”	Employee(s) selected by the Board for participation in the Share Award Scheme
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company, currently of nominal value US\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Share Award Scheme”	a share award scheme adopted by the Company on January 21, 2022
“Share Option Scheme”	a share option scheme adopted by the then shareholders of the Company by way of written resolution on December 20, 2019
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Vesting Date”	in respect of a Selected Employee, the date on which his entitlement to the Awarded Shares is vested in such Selected Employee in accordance with the Share Award Scheme

Definition

“USD” or “US dollars” or “US\$”	United States dollars, the lawful currency of the United States of America
“Yongtai BVI”	Sunrise Boulevard Investments Limited, a company incorporated in the BVI with limited liability on June 12, 2019 which is wholly owned by Yongtai LLP
“Yongtai LLP”	深圳前海春華永泰企業管理諮詢合夥企業(有限合夥) (Shenzhen Qianhai Sunrise Boulevard Enterprise Management Consultancy Limited Partnership*), a limited partnership established in the PRC with limited liability on May 24, 2019

* The names of the PRC established companies or entities have been included in this annual report in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. The English translation of company names in Chinese which are marked with “*” are for identification purposes only.