宝宝树 babytree

2018 寶寶樹集團 年度報告

BABYTREE GROUP ANNUAL REPORT

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號:1761

Contents

Financial Summary

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,			
	2018	2017	2016	2015
	RMB'000			
Revenue	**760,103**	729,624	509,732	200,003
Gross profit	**599,450**	461,098	270,450	109,212
Profit/(loss) from operations	**150,988**	172,448	(42,541)	(187,914)
Profit/(loss) before income tax	**523,555**	(873,098)	(966,744)	(299,577)
Profit/(loss) for the year	**526,227**	(911,138)	(934,539)	(286,420)
Total comprehensive income for the year	**(126,385)**	(919,199)	(927,373)	(282,247)
Adjusted net profit/(loss) for the year (Non-IFRS measure)[1]	**201,232**	155,116	44,362	(172,212)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Year ended December 31,			
	2018	2017	2016	2015
	RMB'000			
Assets				
Non-current assets	**134,616**	78,627	100,832	44,319
Current assets	**3,526,320**	1,118,732	3,787,940	968,794
Total assets	**3,660,936**	1,197,359	3,888,772	1,013,113
Equity and liabilities				
Equity attributable to the equity owners of the Company	**3,451,521**	(4,395,620)	(640,081)	(182,671)
Total equity	**3,455,648**	(4,395,620)	(640,081)	(182,671)
Non-current liabilities	**61**	5,253,072	4,206,417	934,242
Current liabilities	**205,227**	339,907	322,436	261,542
Total liabilities	**205,288**	5,592,979	4,528,853	1,195,784
Total equity and liabilities	**3,660,936**	1,197,359	3,888,772	1,013,113

Note:

(1) See "Management Discussion and Analysis - Profit for the year and non-IFRS measure: adjusted net profit for the year" in this annual report.

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of BabyTree Group (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2018.

The year ended December 31, 2018 was a remarkable year for our Group. By implementing our growth strategies, we achieved outstanding operational results.

KEY HIGHLIGHT

- Our total online user base increased to an average 144.1 million total MAUs in 2018 from 139.0 million in 2017. Mobile users (including both WAP and mobile apps) constituted 61.5% of our overall user base in 2018. Our average total MAUs on mobile apps increased to 22.7 million in 2018 from 16.8 million in 2017, representing a growth of 35.1%. Notably, in the fourth quarter of 2018, our average MAUs on mobile reached 135.9 million and our average MAUs on mobile apps reached 32.1 million.

- Our total revenue increased to RMB 760.1 million for the year ended December 31, 2018 from RMB 729.6 million for the year ended December 31, 2017. Notably, revenue from advertising business increased to RMB 596.2 million for the year ended December 31, 2018 from RMB 372.4 million for the year ended December 31, 2017, representing a growth of 60.1%.

- Our adjusted net profit for the year was RMB201.2 million in 2018, compared to RMB155.1 million in 2017, representing a growth of 29.7%.

Note: "MAU" is the acronym for "monthly active user," calculated by counting the number of active users during the calendar month in question. The number of MAUs of our mobile apps is tracked and calculated by Umeng (友盟), a third-party data tracking service provided by Beijing Ruixunlingtong Technology Co., Ltd (北京鋭訊靈通科技有限公司). The number of our PC and WAP MAUs is tracked and calculated by us internally, using the number of unique cookies (a commonly used tracking code) recorded by the Internet browsers that access such website at least once during the calendar month.

KEY FINANCIAL DATA

	Year ended December 31,		**Year on year**
	2018	2017	**change (%)**
	RMB'000	RMB'000	
Revenue	**760,103**	729,624	4.2%
– Advertising	**596,215**	372,385	60.1%
– E-commerce	**135,301**	332,583	(59.3%)
– Direct sales	**69,820**	174,672	(60.0%)
– Marketplace	**65,481**	157,911	(58.5%)
– Content monetization	**28,587**	24,656	15.9%
Gross profit	**599,450**	461,098	30.0%
Gross margin	**78.9%**	63.2%	24.8%
Profit/(loss) for the year	**526,227**	(911,138)	N/A
Adjusted net profit (Non-IFRS measure)	**201,232**	155,116	29.7%

BUSINESS REVIEW AND OUTLOOK

We have taken a great leap forward in 2018. The successful listing of our shares on the Stock Exchange on November 27, 2018 marked a significant milestone in our eleven-year journey of venture and creation. We achieved historic heights in terms of number of users (primarily driven by the growth of users on mobile apps), revenue and net profit, which is particularly encouraging during times of economic uncertainty. As a result of these achievements, we are one step closer to our mission, "to empower young families to enjoy the beautiful journey of life." We sincerely appreciate the robust support from our users, Shareholders, partners, employees and their families.

We operate in a promising market. The total market volume of the young family spending market is expected to reach RMB14.3 trillion in 2019 and further grow to RMB21.5 trillion in 2022, according to Frost & Sullivan.

We believe that we would benefit from the continual growth of the Maternity and Child ("**M&C**") focused product and service market over the next few years in the following aspects:

1. *Increasing online advertising from M&C and other young family related products and services*. As young mothers increasingly shift to mobile Internet to search for information, products and services, revenue from online advertising will increase.

2. *Increasing M&C-focused e-commerce*. The demand for high quality products and services is expected to grow along with the rising disposable income of young families.

3. *Increasing capabilities for M&C content monetization*. Top quality and professionally curated knowledge contents provide solutions for young parents in meeting their urgent and frequent parenting demands. In addition, young parents are increasingly willing to pay for top quality online contents.

We are dedicated to connecting and serving young families. We are one of the largest and most active M&C-focused online community platforms in China by MAU. We are also the most trusted M&C-focused online platform with the most comprehensive and authoritative contents, according to Frost & Sullivan. Our high user traffic and brand trust rest on two primary online platforms, namely Babytree Parenting and WeTime. A great variety of high-quality contents, services and products are provided through Babytree Parenting and WeTime, which have become the entrance platforms for user traffic to serve the four core needs of learning, sharing, recording growth and shopping for M&C users. On top of our high user traffic and trusted brand, we have also established a multi-stream revenue model, which is comprised of (i) advertising business through our multi-platform ecosystem, (ii) e-commerce business operated under direct sales and marketplace models and in cooperation with Alibaba, and (iii) various content-monetization products. AI technology further enhances our capability to engage the right target users at the right time with the most fitting advertisements, products and services. High user traffic and trusted brand, coupled with effective monetization models, form a healthy closed loop that allows us to continually develop, curate and improve contents, products and services to better serve the needs of young families.

As we embarked on the second decade of our journey, with an unyielding focus on our mission, we have charted out a four-prong strategy which is comprised of: (1) product leadership through continual innovation, significant spending on research and development or R&D spending, relentless fast-paced optimization and user life cycle extension; (2) monetization improvements and revenue diversification; (3) industry consolidation to further broaden our user reach and enhance our revenue generation capability; (4) globalization that allows us to penetrate into key international growing markets. We are pleased to report that significant progress has been made on all four fronts in 2018.

1. Product Leadership Through Innovation, Optimization and User Life Cycle Extension

Our user base reached an average 144.1 million total MAUs in 2018. Our average total MAUs on mobile devices (including both WAP and mobile apps) reached 88.6 million in 2018, which was primarily driven by the growth of mobile app MAUs, which grew from 16.8 million in 2017 to 22.7 million in 2018, representing a year-on-year increase of 35.1%. Notably, our average MAUs for Babytree Parenting increased to 18.4 million in 2018 from 14.9 million in 2017, representing a year-on-year increase of 23.5%. Our average MAUs for WeTime increased to 4.3 million in 2018 from 1.9 million in 2017, representing a year-on-year increase of 126.3%. We believe that the impressive growth numbers reflect our efforts in continually innovating, optimizing our products and extending user life cycle.

Product Innovation and Research and Development

Technology enhancement and data analysis are essential to our business, and in particular, our product innovation. Over one-third (34.1%) of our staff are technical professionals by the end of 2018, and we plan to continue recruiting technical staff in the future. We position ourselves as a technology company that constantly seeks to strengthen our data analytical capability, optimize our existing products and launch creative new products, aiming to provide high-quality targeted services in all family scenarios.

In particular, we have established an AI development department consisting of 39 employees, who station in cities considered to have abundant AI resources, including Beijing, Hangzhou and Wuhan. The AI development department is responsible for analyzing massive data in respect of user behavior and business operation to enable data-driven intelligent decision-making for the purpose of enhancing user experience and increasing user value.

Our research and development expenses increased to RMB125.2 million for the year ended December 31, 2018 from RMB78.5 million for the year ended December 31, 2017, representing a year-on year growth of 59.6%. Such increase was primarily driven by an increase in our technical staff headcount, as we put substantial efforts in technical staff recruitment to support our expansion for research and development. Our research and development expenses accounted for 10.8% and 16.5% of our total revenue for the year ended December 31, 2017 and 2018, respectively.

Continual Product Optimization

We continually update the core functions of our primary product platforms on our mobile apps in order to further optimize user experience. On Babytree Parenting, we improved the algorithms of several tools such as prenatal examination timetable and nursing record keeper to provide better user interfaces and interactive experience. On WeTime, we identified quality providers of early childhood education contents and tools, and gave them access to our platforms and join our ecosystem, thereby benefiting our users and at the same time enabling the providers to make a handsome profit. We strive to make continual fast-paced optimizations to deliver significant cumulative improvements for our users.

User Life Cycle Extension

We seek to lengthen our users' life cycle through Babytree Parenting and WeTime by addressing the needs of older children and mothers in areas such as photo archiving and sharing, content curation in early childhood education, family travel, beauty care and career needs for growing families. On our platforms, we accompany young families all the way through their parenting journey which begins before pregnancy until their children attending pre-schools.

Apart from improving our own platforms, we also leveraged our capital and invested in two leading platforms in WeChat ecosystem, namely BaMaYing and Momself, with a view to further enriching our content products, strengthening our influence in WeChat ecosystem and enhancing our ability to monetize the user traffic in advertising, e-commerce and contents. With BaMaYing focusing on middle-class parents having children aged 2 to 12 and Momself addressing the emotional needs of mothers of all ages, both of these WeChat based platforms further lengthen our users' life cycle. We plan to launch a new content-monetization product with Momself addressing heated issues such as antenatal anxiety and postpartum depression. We believe that our further cooperation with BaMaYing and Momself will complement our products and services, extend our user base to a broader age range and reach more members of the families, given that around 40% of the users of BaMaYing are male.

2. Monetization Improvements and Revenue Diversification

Our total revenue increased to RMB760.1 million for the year ended December 31, 2018 from RMB729.6 million for the year ended December 31, 2017, representing a year-on-year increase of 4.2%. Such increase was primarily due to an increase in revenue from advertising, partially offset by a decrease in revenue from e-commerce, where we began a strategic shift away from a self-operated business to collaboration with Alibaba since the third quarter of 2018. Notwithstanding a decline in the macro-economic environment in 2018, we are able to achieve a moderate yet healthy increase in our total revenue.

Our adjusted net profit for the year ended December 31, 2018 increased to RMB201.2 million from RMB155.1 million for the year ended December 31, 2017, representing a year-on-year growth of 29.7%. The increase reflects the resilience of the M&C industry in an otherwise declining macro-economic environment, and shows our statue as one of the industry leaders, significant economies of scale and notable cost control efforts.

Advertising

Revenue from advertising business increased by 60.1% in 2018. Advertising revenue from mobile apps continued to be our major source of revenue, and accounted for 63.0% and 86.9% of our total revenue from advertising business for the year ended December 31, 2017 and 2018, respectively. We plan to further increase our revenue from mobile apps as a percentage of our total revenue from advertising. We are also pleased to report that revenue from advertising not directly relating to M&C as a percentage of our total revenue from advertising grew to 27.4% in 2018 from 22.8% in 2017, which demonstrates that family consumption brands are increasingly regarding us as an effective media platform for launching advertising campaigns. We will continue to broaden and extend our client base to areas such as auto-manufacturers, cosmetics and other product and services beyond M&C related products and services. On the other hand, revenue from advertising attributable to Alibaba in 2018 (the first and partial year of our cooperation with Alibaba) was RMB44.9 million, representing 7.5% of the total revenue from advertising. We expect revenue from advertising attributable to Alibaba to increase in the future as the cooperation between Alibaba and us deepens.

E-commerce

We implemented a shift in our e-commerce strategy in 2018. We believe that our core strategic competencies lie in our ability to generate the best contents for our users, and nurture warm feelings and strong sense of community for parents. We will focus exclusively on our core strengths and competencies, and delegate functions such as back-end e-commerce management to the most strategically fitting partner in the area of e-commerce, Alibaba. Sharing the same view and sentiment, Alibaba became our investor and strategic partner in June 2018. Since then, we formed a joint dedicated team and began integrating our two systems. In our strategic relationship, we manage our users and Alibaba provides e-commerce operational services in accordance with our cooperation agreement. The integration process is unprecedented in terms of scale and scope, and is still ongoing.We expect the two systems to be integrated in the second quarter of 2019. Our cooperation with Alibaba will reduce our back-end operational costs, enhance our efficiency and provide our users with a better buying experience with broader product selections and lower prices.

Content monetization

Revenue from content monetization increased by 15.9% in 2018. We believe that content monetization fits naturally with our users who look for high quality knowledge contents generated by leading experts, and we put efforts in further building up our content monetization team in 2018 in light of our overall development strategy for 2019.

We plan to transform from the single content purchase model into the subscription model in which users can enjoy a well-organized content library in a systematic manner. The subscription model will be founded on an expanded and upgraded content library, which is our main task in 2019 and requires extensive collaborations with third party content and service providers. To that end, we recently introduced "Stardoctor" to our platforms to enrich the collection of our content monetization products. Stardoctor is a health and medical service brand newly developed in cooperation with Fosun, our Substantial Shareholder. Such collaborative efforts are to enhance our ability to consolidate high-quality resources catering to young families, for both children and parents, from the stage of pregnancy all the way to pre-school attendance.

3. Industry Consolidation

We believe that as an increasingly profitable leader in the M&C industry with significant cash on hand generated from our business operations and the proceeds from the public offering, we are able to leverage our industry leadership, reputable brand name, user platforms and capital to consolidate the industry, both in China and beyond.

As mentioned above, we have invested in two leading WeChat based parenting platforms, BaMaYing and Momself. BaMaYing, focusing on young families with children aged from 2 to 12, complements and broaden our user reach. Momself, on the other hand, aims to build up a life-long learning and support platform focusing more on mothers instead of children. By offering systematic and upbeat courses created by a group of professional psychologists, Momself addresses the needs of mothers over a variety of issues including, parenting, marriage and career development. Momself complements our content library and strengthens our content monetization business in WeChat ecosystem.

These two recent investments illustrate the user traffic and age extension-oriented nature of our investment approach, which we will continue aggressively.

4. Globalization

We aspire to be a global company. Our mission shares a worldwide view, and we keep an eye on young families on a global footing. We believe that our products, expertise and approaches can effectively adapt to key global markets, and facilitate other global platforms to achieve a faster and more efficient growth. To this end, we have recently invested in Healofy, one of the fastest growing parenting communities in India which offers massive professionally generated contents, video streaming, and is also a warm mobile community among Indian mothers in both English and other languages. The Indian market constitutes an essential part of our global strategy as it has over 20 million new births every year and thus possesses huge growth potential in terms of mobile users. Our investment in Healofy illustrates our interests in key growing global parenting markets and serves as our first move in creating a global parenting ecosystem through investment in these blooming markets.

Conclusion

We are proud to witness the above achievements and have strong faith that we will be able to implement all the plans we envisioned. The year of 2018 marks a significant milestone in our eleven-year journey of venture, and we embarked on our second decade of the journey. We endeavor to become a global leading platform for young families.

We engage in a growing M&C industry and we have a proven business model. The trust gained from our users over the years and high user traffic allow us to generate revenue through advertising, e-commerce and content monetization.

We have a great set of strategic partners. The current and future collaborations with Fosun, Alibaba and TAL demonstrate our strong connection and stable relationship with our significant Shareholders as well as our growth potential from investors' perspectives.

We have significant financial resources. We have RMB3,039.3 million of cash and other liquid financial resources comprising (i) cash and cash equivalents including cash on hand and bank deposits and (ii) short-term wealth management products purchased by us. Our stable financial conditions enable us to make strategic decisions with great flexibility and strong leveraging power.

We have a large pool of talents consisting of current employees and we plan to expend our pool of talents through continual recruitment efforts. We recently recruited two top talents with extensive experiences working at multinational corporations in relevant industries. The appointment of Mr. Siddharth Mathur as our first Global Head of International Development marks our significant step towards globalization. With previous employments based in the UK, the US, India, Singapore and other Southeast Asian countries, Mr. Mathur is experienced in globalizing corporations. On the other hand, Mr. James Chiu, our newly appointed Chief Operating Officer, has been the president in various leading multinational companies in the healthcare, nutrition and fast-moving consumer goods industries including Abbott and Nestlé. Having accumulated valuable experiences from working for larger, more complex companies in their key growth stages, Mr. Chiu is able to better navigate our business operations.

"To empower young families to enjoy the beautiful journey of life" has been our mis-sion since the commencement of our business and remains unchanged throughout the years. Guided by our mission, with relentless pursuits for products innovation, revenue improvements, talent and organization upgrades and global expansion, we aim to create value to our users and our investors.

APPRECIATION

On behalf of everyone at BabyTree Group, I would like to express our sincere gratitude to all of our users. I would also like to thank all our employees and management team for demonstrating BabyTree's core values in every day's work, and executing the Group's strategy with professionalism, integrity and dedication. I am also thankful for the continued support and trust from our Shareholders and stakeholders. We will strive to provide consolidated high-quality services and products to better serve various needs of young families.

WANG Huainan
Chairman
Hong Kong

March 27, 2019

RESULTS PERFORMANCE FOR THE YEAR ENDE 31 DECEMBER, 2018

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Revenue	**760,103**	729,624
Cost of revenue	**(160,653)**	(268,526)
Gross Profit	**599,450**	461,098
Other revenue	**20,484**	54,331
Other net loss	**(4,741)**	(10,742)
Selling and marketing expenses	**(179,905)**	(145,745)
General and administration expenses	**(159,066)**	(108,013)
Research and development expenses	**(125,234)**	(78,481)
Profit from operations	**150,988**	172,448
Net finance income	**10,369**	6,787
Fair value change of financial liabilities at fair value through profit or loss	**365,610**	(1,049,907)
Share of loss of associates	**(3,412)**	(2,426)
Profit/(loss) before income tax	**523,555**	(873,098)
Income tax credit/(expense)	**2,672**	(38,040)
Profit/(loss) for the year	**526,227**	(911,138)
Attributable to:		
Equity shareholders of the Company	**526,300**	(911,138)
Non-controlling interests	**(73)**	—
Non-IFRS measure		
Adjusted net profit for the year	**201,232**	155,116

REVENUE

Our total revenue increased by 4.2% to RMB760.1 million for the year ended December 31, 2018, compared to RMB729.6 million for the year ended December 31, 2017, primarily due to an increase in revenue from advertising, partially offset by a decrease in revenue from e-commerce. The following table sets forth our revenue by segment for the years presented:

	Year ended December 31,			
	2018		2017	
	Amount RMB'000	**% of total revenues**	Amount RMB'000	% of total revenues
Advertising	**596,215**	**78.4%**	372,385	51.0%
E-commerce	**135,301**	**17.8%**	332,583	45.6%
– Direct sales	**69,820**	**9.2%**	174,672	23.9%
– Marketplace	**65,481**	**8.6%**	157,911	21.6%
Content Monetization	**28,587**	**3.8%**	24,656	3.4%
Total	**760,103**	**100%**	729,624	100%

Advertising

Revenue from advertising business increased by 60.1% to RMB596.2 million for the year ended December 31, 2018, compared to RMB372.4 million for the year ended December 31, 2017, primarily due to (i) our continuing efforts to strengthen our sales approach and focus on winning more "spend" from our major clients, resulting in a higher average revenue per account from our major clients, (ii) an increase of revenue from advertising on mobile apps and (iii) an increase of revenue from advertising from family consumption categories beyond M&C.

E-commerce

Revenue from e-commerce business decreased by 59.3% to RMB135.3 million for the year ended December 31, 2018, compared to RMB332.6 million for the year ended December 31, 2017. The decrease was transitional in nature due to our shift of e-commerce strategy from a self-operated model to a third party operated model by Alibaba, our strategic investor and partner. This strategy reflects our belief that we should manifest our own strengths – developing and curating top quality contents and nurturing robust and supportive online communities for mothers, and we should leave the back-end e-commerce operation to the most fitting player in field, which is Alibaba. Part of the decline in e-commerce revenue resulted from our scaling down on both direct sales and marketplace operations, including reducing merchandise procurement for direct sales, clearing inventory and slowing down vendor acquisitions and renewals since our negotiations with Alibaba in June 2018. In addition, the integration process of deeply integrating our two systems is historically unprecedented in scale and scope and it is still ongoing. We expect the two systems to be integrated in the second quarter of 2019.

Content Monetization

Revenue from content monetization business increased by 15.9% to RMB28.6 million for the year ended December 31, 2018, compared to RMB24.7 million for the year ended December 31, 2017, primarily due to the expansion of our user base and offering of new contents.

COST OF REVENUE

Our cost of revenue decreased by 40.2% to RMB160.7 million for the year ended December 31, 2018, compared to RMB268.5 million for the year ended December 31, 2017, primarily due to a decrease in cost of inventories as we scaled down our e-commerce direct sales.

The expansion of our advertising business results in greater economies of scale. Our direct cost of advertising mainly consists of staff costs and rental expenses of servers distributed between all our clients, which explains the slight increase of 2.6% in our direct cost of advertising while our revenue from advertising increased significantly by 60.1% during the same period.

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

	Year ended December 31,			
	2018		**2017**	
	Amount RMB'000	**% of total revenues**	Amount RMB'000	% of total revenues
Advertising	**91,150**	**56.7%**	88,797	33.1%
E-commerce	**67,069**	**41.7%**	170,907	63.6%
Content Monetization	**2,434**	**1.5%**	8,822	3.3%
Total	**160,653**	**100%**	268,526	100%

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing, our gross profit increased by 30.0% to RMB599.5 million for the year ended December 31, 2018, compared to RMB461.1 million for the year ended December 31, 2017. Our gross margin increased to 78.9% for the year ended December 31, 2018, compared to 63.2% for the year ended December 31, 2017.

	Year ended December 31,			
	2018		2017	
	Gross profit RMB'000	**Gross margin %**	Gross profit RMB'000	Gross margin %
Advertising	**505,065**	**84.7%**	283,588	76.2%
E-commerce	**68,232**	**50.4%**	161,676	48.6%
Content monetization	**26,153**	**91.5%**	15,834	64.2%
Total	**599,450**	**78.9%**	461,098	63.2%

OTHER REVENUE

Our other revenue decreased by 62.3% to RMB20.5 million for the year ended December 31, 2018, compared to RMB54.3 million for the year ended December 31, 2017, primarily due to (i) a decrease in investment income as we reduced our short-term investments, partially offset by (ii) an increase in government grants.

OTHER NET LOSS

Our other net loss primarily consists of (i) net foreign exchange loss, (ii) impairment loss of available-for-sale equity security in 2017 and (iii) net loss on disposal of property, plant and equipment. The equity securities primarily refer to our non-trading equity investment in companies in which we did not have significant influence. Our other net loss decreased by 55.9% to RMB4.7 million for the year ended December 31, 2018, compared to RMB10.7 million for the year ended December 31, 2017, as we did not record any impairment loss of equity securities in 2018.

SELLING AND MARKETING EXPENSES

Our selling and marketing expenses increased by 23.4% to RMB179.9 million for the year ended December 31, 2018, compared to RMB145.7 million for the year ended December 31, 2017, primarily due to our efforts to increase our brand awareness by spending more on marketing initiatives, partially offset by a decrease in fulfillment expenses as a result of reduced direct sales. As a percentage of revenue, selling and marketing expenses increased to 23.7% for the year ended December 31, 2018 from 20.0% for the year ended December 31, 2017.

GENERAL AND ADMINISTRATION EXPENSES

Our general and administration expenses increased by 47.3% to RMB159.1 million for the year ended December 31, 2018, compared to RMB108.0 million for the year ended December 31, 2017, primarily due to (i) an increase in professional fees in connection with the Global Offering of our shares; (ii) an increase in impairment losses for trade and other receivables due to higher balances of such receivables and (iii) an increase in tax and levies. As a percentage of revenue, general and administration expenses increased to 20.9% for the year ended December 31, 2018 from 14.8% for the year ended December 31, 2017.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses increased by 59.6% to RMB125.2 million for the year ended December 31, 2018, compared to RMB78.5 million for the year ended December 31, 2017, primarily due to an increase in the headcount of our technical staff as we continued recruitment efforts to support our research and expansion. As a percentage of revenue, research and development expenses increased to 16.5% for the year ended December 31, 2018 from 10.8% for the year ended December 31, 2017.

PROFIT FROM OPERATIONS

As a result of the foregoing, our profit from operations decreased by 12.4% from RMB172.4 million for the year ended December 31, 2017 to RMB151.0 million for the year ended December 31, 2018.

NET FINANCE INCOME

Our finance income primarily comprised interest income from deposits. We had a net finance income of RMB10.4 million in 2018, compared to a net finance income of RMB6.8 million in 2017, mainly due to an increase in the interest income from bank deposits.

FAIR VALUE CHANGE OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

We recorded a fair value gain of financial liabilities at fair value through profit or loss of RMB365.6 million for the year ended December 31, 2018 compared to a fair value loss of RMB1,049.9 million for the year ended December 31, 2017, primarily due to a decrease in the fair value of our financial instruments with preferred rights. The fair value gain/(loss) of financial instruments with preferred rights is a non-cash and extraordinary item that will not recur in financial years after the listing of our shares on the Stock Exchange, as all the preferred rights attaching to the financial instruments were terminated upon the listing of our shares on the Stock Exchange.

SHARE OF LOSS OF ASSOCIATES

Our share of loss of associates increased to RMB3.4 million for the year ended December 31, 2018, compared to RMB2.4 million for the year ended December 31, 2017.

INCOME TAX CREDIT/(EXPENSE)

We had an income tax credit of RMB2.7 million for the year ended December 31, 2018 compared to an income tax expense of RMB38.0 million for the year ended December 31, 2017, primarily due to an additional deductible investment loss within the Group during the reorganization in preparation for the listing.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company increased to RMB526.3 million for the year ended December 31, 2018, compared to a loss of RMB911.1 million for the year ended December 31, 2017.

PROFIT FOR THE YEAR AND NON-IFRS MEASURE: ADJUSTED NET PROFIT FOR THE YEAR

As a result of the foregoing, our profit for the year was RMB526.2 million in 2018, compared to our loss for the year of RMB911.1 million in 2017. After removing the effect of fair value change of financial liabilities at fair value through profit or loss, which is non-recurring in nature, our adjusted net profit for the year was RMB160.6 million in 2018, compared to RMB138.8 million in 2017, representing a growth of 15.7%. Also, after removing the effect of both fair value change of financial liabilities at fair value through profit or loss and listing expenses, net of tax, which is non-recurring in nature, a further adjusted net profit for the year would be RMB201.2 million and RMB155.1 million for the year ended December 31, 2018 and 2017 respectively, representing a growth of 29.7%.

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use a non-IFRS measure, adjusted net profit for the year, as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that such non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management considers to be not indicative of our operating performance. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net profit for the year may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation, or as substitute for analysis of, our results of operations or financial position as reported under IFRS.

We define adjusted net profit for the year as profit for the year adjusted by excluding both fair value change of financial liabilities at fair value through profit or loss and listing expenses, net of tax, which is non-recurring in nature. The following table reconciles our adjusted net profit for the years ended December 31, 2018 and 2017 to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	For the year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Profit/(Loss) for the year	**526,227**	(911,138)
Add:		
Fair value change of financial liabilities at fair value through profit or loss	**(365,610)**	1,049,907
Listing expenses, net of tax	**40,615**	16,347
Adjusted net profit for the year (Non-IFRS measure)	**201,232**	155,116

CAPITAL STRUCTURE

Our total assets increased from RMB1,197.4 million as of December 31, 2017 to RMB3,660.9 million as of December 31, 2018, whilst our total liabilities changed from RMB5,593.0 million as of December 31, 2017 to RMB205.3 million as of December 31, 2018. Liabilities-to-assets ratio changed from 467.1% at the end of 2017 to 5.6% at the end of 2018.

The current ratio (being the ratio of total current assets to the total current liabilities) was 1,718.3% as of December 31, 2018, compared to 329.1% as of December 31, 2017.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Our cash and other liquid financial resources (comprising (i) cash and cash equivalents including cash on hand and bank deposits and (ii) short-term wealth management products we bought), grew from RMB722.3 million as of December 31, 2017 to RMB3,039.3 million as of December 31, 2018, primarily due to (i) the issuance of ordinary shares and (ii) cash generated from our business growth.

As at December 31, 2018, we did not have any outstanding borrowings. Accordingly, no gearing ratio is presented.

CAPITAL EXPENDITURE

Our capital expenditures, consisting of payments for the purchase of property, plant and equipment, are incurred mainly for servers, computers and office equipment. Our capital expenditures were RMB20.7 million as of December 31, 2018, compared to RMB13.5 million as of December 31, 2017.

FOREIGN EXCHANGE RISK

The Group had cash at banks denominated in foreign currencies, which exposed the Group to foreign exchange risk. The Group does not use any derivative contracts to hedge against its exposure to foreign exchange risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and will take prudent measures to minimize the currency translation risk.

CONTINGENT LIABILITIES

As at December 31, 2017 and 2018, we did not have any material contingent liabilities.

MATERIAL ACQUISITIONS AND FUTURE PLANS FOR MAJOR INVESTMENT

Save as disclosed in the prospectus of the Company dated November 15, 2018, during the year ended December 31, 2018, the Group did not conduct any material acquisitions and disposals of subsidiaries, associates and joint ventures.

PLEDGE OF ASSETS

As at December 31, 2018, the Company had not pledged any of its assets.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Except as disclosed in note 33 to the financial statements, the Group does not have any material subsequent event after December 31, 2018 and up to the date of this report.

EMPLOYEES

As of December 31, 2018, we had 873 full-time employees, substantially all of whom were based in China, primarily in Beijing and Shanghai, with the rest based in Ningbo, Wuhan, Xiamen and Hangzhou.

Our success depends on our ability to attract, retain and motivate qualified personnel. The remuneration package for our employees generally includes salary and bonuses. We determine employee remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits.

ROUNDING

Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

The biographical details of the Directors and senior management are set out as follows:

OUR DIRECTORS

Executive Directors

Mr. WANG Huainan (王懷南), aged 53, was appointed as a Director on February 9, 2018 and was re-designated as an executive Director and Chairman of the Board on June 11, 2018. He was also appointed as the chairman of our Nomination Committee and a member of our Remuneration Committee on November 27, 2018. He has been the Chief Executive Officer of our Group since January 2007. Mr. Wang currently serves as director in a number of companies in which our Company has equity interests, including certain subsidiaries of our Company. Mr. Wang founded our Group in January 2007 and has been the key driver of our business strategies and achievements to date. Mr. Wang is primarily responsible for strategic development, overall operation and management and major decision-making.

Prior to founding the Group, Mr. Wang had many years of experience in the fields of marketing and administrative management. From 1996 to 2001, he served as a brand manager at The Procter & Gamble Company (a company listed on New York Stock Exchange, ticker symbol: PG), where he was primarily responsible for brand building, promotion and marketing. From 2001 to 2005, he served as a senior marketing director at Yahoo! Inc. (a company formerly listed on NASDAQ, ticker symbol: YHOO) and as the chief executive officer at 1pai.com.cn (一拍網), a joined venture established by Yahoo! Inc. and SINA Corp. From 2005 to 2006, he served as the chief marketing officer, Asia at Google LLC.

Mr. Wang was awarded as "Top Ten Marketing Figures in 2015" by Nanfang Metropolis Daily (南方都市報) in December 2015, "Entrepreneur of the Year" by iheima.com (i黑馬網) in December 2016 and "Industry Brand Leader (行業品牌領軍人物)" by Asiabrand (亞洲品牌峰會) in December 2017.

Mr. Wang graduated from Tsinghua University with a bachelor's degree in English in July 1988. He also obtained a master's degree in sociology from Columbia University in October 1989 and a master's degree in business administration from Georgetown University in July 1996.

Mr. XU Chong (徐 翀), aged 43, was appointed as an executive Director on June 11, 2018. He was also appointed as a member of the Remuneration Committee on November 27, 2018. He joined the Group as the chief financial officer in October 2014. Mr. Xu currently serves as director in a number of companies in which our Company has equity interests, including certain subsidiaries of our Company. Mr. Xu is primarily responsible for strategic development, financial operations management and capital operations.

Mr. Xu has more than 17 years of experience in corporate finance and financial management. He served as a manager at BOC International Holdings Limited from July 2001 to August 2003, the chief financial officer at SinoMedia Holding Limited (a company listed on the Stock Exchange, stock code: 0623) from June 2004 to February 2006 and a vice president of Asia region at Cazenove Capital Management Limited from March 2006 to July 2007, where he was primarily responsible for corporate finance. He re-joined SinoMedia Holding Limited in July 2007 and served as the chief financial officer until May 2010. Mr. Xu served as the chief financial officer and vice president at Huakang Insurance Brokerage Company Limited (華康保險代理有限公司) from March 2011 to July 2011. He worked as a financial advisor and then the chief financial officer at Shanghai Zhaogangwang Information Technology Corporation Limited (上海找鋼網信息科技股份有限公司) from June 2012 to June 2014.

Mr. Xu obtained a bachelor's degree in laws from Nanjing University in July 1998 and a master's degree in laws from Renmin University of China in July 2001.

Non-executive Directors

Mr. CHEN Qiyu (陳啟宇), aged 46, was appointed as a non-executive Director on June 11, 2018, primarily responsible for participating in formulating the Company's corporate and business strategies. He has been a director of Zhongming since January 2017.

Mr. Chen joined Fosun in 1994 and currently serves as an executive director and co-president of Fosun International Limited (復星國際有限公司) (a company listed on the Stock Exchange, stock code: 0656). He has also been an executive director and chairman of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600196, and the Stock Exchange, stock code: 2196), a non-executive director and vice chairman of Sinopharm Group Co., Ltd. (國藥控股股份有限公司) (a company listed on the Stock Exchange, stock code: 1099) and a director of Beijing Sanyuan Foods Co., Ltd. (北京三元食品股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600429). Mr. Chen also served as a director of Maxigen Biotech Inc. (和康生物科技股份有限公司) (a company listed on the Taiwan Stock Exchange, stock code: 1783) from December 2015 to November 2017 and a director of Dian Diagnostics Group Co., Ltd. (迪安診斷技術集團股份有限公司) (a company listed on the Growth Enterprise Market Board of the Shenzhen Stock Exchange, stock code: 300244) from May 2010 to February 2019.

Mr. Chen has been a member of the 13th Shanghai Standing Committee of the Chinese People's Political Consultative Conference, the chairman of China Medical Pharmaceutical Material Association (中國醫藥物資協會), a vice president of China Pharmaceutical Innovation and Research Development Association (中國醫藥創新促進會), the chairman of Shanghai Biopharmaceutical Industry Association (上海市生物醫藥行業協會) and vice council chairman of Shanghai Society of Genetics (上海市遺傳學會). Mr. Chen was a member of the 12th Shanghai Committee of the Chinese People's Political Consultative Conference.

Mr. Chen received a bachelor's degree in genetics from Fudan University in July 1993 and an executive master of business administration degree from China Europe International Business School (中歐國際工商學院) in September 2005.

Mr. WANG Changying (王長穎), aged 45, was appointed as a non-executive Director on June 11, 2018, primarily responsible for participating in formulating the Company's corporate and business strategies. He has been a director of Zhongming since January 2017.

Mr. Wang has been a vice president of healthcare holdings department since May 2016, a senior assistant president since March 2018 and the chairman of maternal infant and family group since September 2018, at Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技(集團)有限公司). Mr. Wang is currently a director of Shenzhen Megmeet Electrical Co., Ltd. (深圳麥格米特電氣股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002851), Shenyang Tian An Technology Co., Ltd. (瀋陽天安科技股份有限公司) (a company listed on The National Equities Exchange And Quotations Co., Ltd., stock code: 834661) and Jiangsu Jingang Culture & Technology Group Co., Ltd. (江蘇金剛文化科技集團股份有限公司) (a company listed on The National Equities Exchange And Quotations Co., Ltd., stock code: 836707), and the vice chairman of Baihejiayuan Network Group Co., Ltd. (百合佳緣網絡集團股份有限公司) (a company listed on The National Equities Exchange And Quotations Co., Ltd., stock code: 834214). From May 8, 2017 to November 16, 2018, Mr. Wang was a director of Juewei Food Co., Ltd. (絕味食品股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603517). Mr. Wang was also a director of Dongzhu Ecological Environment Protection Co., Ltd. (東珠生態環保股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603359, which is previously known as Jiangsu Dongzhu Landscape Co., Ltd. (江蘇東珠景觀股份有限公司)) from May 2012 to April 2018.

In addition, Mr. Wang currently holds directorships in several companies including Shandong Taihe Water Treatment Technologies Co., Ltd. (山東泰和水處理科技股份有限公司) since October 2012, Dianwang (Cayman) Inc. since October 2016, Wuhan Huakang Century Cleanroom Technology Engineering Co., Ltd. (武漢華康世紀潔淨室技術工程有限公司) since February 2017, Yangtuo Technology Inc. since February 2017 and Shanghai Qinmiao Technology Co., Ltd. (上海親苗科技有限公司) since July 2018. Since September 2011, he has been the director and general manager of Xizang Fosun Venture Capital Co., Ltd. (西藏復星投資管理有限公司). Since February 2018, he has been the manager of Ningbo Meishan Bonded Port Xingbao Investment Management Co., Ltd. (寧波梅山保稅港區星寶投資管理有限公司). Since March 2018, he has been the effective controller and director of Wingnou Investments Limited.

Mr. Wang received a bachelor's degree in economic information management from China Institute of Finance (中國金融學院) (which merged with University of International Business and Economics (對外經濟貿易大學) in 2000) in July 1994 and a master's degree in finance from Liaoning University in June 1999.

Mr. MA Jiangwei (馬江偉), aged 37, was appointed as a non-executive Director on March 7, 2019, primarily responsible for participating in formulating the Company's corporate and business strategies.

Mr. Ma joined TAL Education Group ("**TAL**"), a company listed on the New York Stock Exchange (ticker symbol: TAL) and a Shareholder of the Company, in 2008 and has served various positions in TAL. He is currently the general manager of strategic investment department of TAL.

Mr. Ma obtained a bachelor's degree in engineering from Beijing Jiaotong University in July 2004 and a master's degree in engineering from Beijing Jiaotong University in July 2008.

Mr. Christian Franz REITERMANN, aged 49, was appointed as a non-executive Director on June 11, 2018, primarily responsible for participating in formulating the Company's corporate and business strategies.

Mr. Reitermann joined The Ogilvy Group in Taipei in January 1997 and has been the chief executive officer (China) since August 2014 and the chief executive, Asia and greater China since May 2016. He has also been a global client leader of WPP plc (a company listed on the London Stock Exchange, ticker symbol: WPP, and on NASDAQ, ticker symbol: WPP) since 2017, where he is primarily responsible for management of global client relationships.

Mr. Reitermann received his bachelor's degree in Business Administration from Ludwigshafen University of Applied Sciences in January 27, 1997 in Germany.

Mr. JING Jie (靖捷), aged 44, was appointed as a non-executive Director on June 11, 2018, primarily responsible for participating in formulating the Company's corporate and business strategies.

Mr. Jing worked at the marketing department of Procter & Gamble (Guangzhou) Ltd. (廣州寶潔有限公司), which is a member of the Procter & Gamble (a company listed on New York Stock Exchange, ticker symbol: PG), from July 1998 to August 2012, primarily responsible for the brand operation in Greater China. From September 2012 to June 2015, he worked at China Food Products Marketing Co., Ltd. (中糧食品營銷有限公司). Mr. Jing has served as the vice president at Alibaba Group Holding Limited (a company listed on New York Stock Exchange, ticker symbol: BABA) since July 2015. Mr. Jing also served as the president of Tmall (天貓) who was primarily responsible for management and operation of Tmall.

Mr. Jing obtained his bachelor's degree and his master's degree in computer software from Nanjing University in July 1995 and June 1998, respectively.

Independent Non-executive Directors

Mr. CHEN Guanglei (陳廣壘), aged 49, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee on November 27, 2018, primarily responsible for supervising and providing independent judgment to the Board.

From 1992 to 2001, Mr. Chen worked at Pingdingshan sub-branch and Henan branch of China Construction Bank, where he was primarily responsible for accounting and auditing. From January 2005 to August 2005, Mr. Chen worked at the finance department of Financial Street Holdings Co., Ltd. (金融街控股股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000402) and the head of finance department at Financial Street Huizhou Properties Co., Ltd. (金融街惠州置業有限公司). From April 2008 to May 2011, Mr. Chen worked as the financial controller at Zhongjin Gold Corporation Limited (中金黃金股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600489). Mr. Chen worked as the deputy chief accountant from May 2011 to July 2012 and then as the chief economist from July 2012 to November 2017 at Beijing Financial Street Investment Group Co., Ltd. (北京金融街投資(集團)有限公司). He also served as assistant to the chairman and deputy general manager at Tianrui Group Co., Ltd. (天瑞集團股份有限公司) and chairman of the board of Tianrui Group Finance Co., Ltd. (天瑞集團財務有限責任公司) from November 2017 to March 2018. Mr. Chen was a non-executive director at Hengtai Securities Co., Ltd (恒泰證券股份有限公司) (a company listed on the Stock Exchange, stock code: 1476) from September 2012 to November 2017. Mr. Chen has been an independent non-executive director of Xiamen Overseas Chinese Electronic Co., Ltd. (廈門華僑電子股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600870) since March 6, 2019, an external director of Beijing Enterprises Group Company Limited（北京控股集團有限公司）delegated by Stated-owned Assets Supervision and Administration Commission of the State Council of Beijng since 2018 and the president of Hongjing Enterprise Consulting (Beijing) Co., Ltd.（紅京企業諮詢(北京)有限公司）since April 2018.

Mr. Chen is currently an off-campus graduate advisor at Central University of Finance and Economics (中央財經大學), Chinese Academy of Fiscal Sciences (中國財政科學研究院), Capital University of Economics and Business (首都經貿大學), Beijing Technology and Business University (北京工商大學), Shanghai National Accounting Institute (上海國家會計學院) and Beijing National Accounting Institute (北京國家會計學院). He is also a member of the publication translation review committee of the International Federation of Accountants of the Chinese Institute of Certified Public Accountants, a member of the financial committee of Western Returned Scholars Association (歐美同學會), a deputy secretary of Green Manufacturing Association of China（中國綠色製造聯盟）and a member of the Professional Steering Committee of Chinese Institute of Certified Public Accountants.

Mr. Chen graduated from Henan College of Finance and Economics (河南財經學院) (currently known as Henan University of Finance and Economics (河南財經政法大學)) with a bachelor's degree in accounting in December 2000 and from Zhengzhou University (鄭州大學) with a bachelor's degree in finance in July 2002. He received his master's degree in accounting from the Research Institute of Fiscal Science affiliated to Ministry of Finance (財政部科學研究所) (currently known as Chinese Academy of Fiscal Sciences (中國財政科學研究院)) in July 2005, his doctorate degree in accounting from Central University of Finance and Economics (中央財經大學) in June 2008 and conducted his postdoctoral research in applied economics at the Research Institute of Fiscal Science affiliated to Ministry of Finance from June 2012 to September 2014.

Mr. Chen received a certificate of "National Leading Accountant" (全國會計領軍人才證書) issued by Ministry of Finance in November 2015. He has been accredited as a certified tax agent by the Office of Personnel of Henan Province (河南省人事廳) in December 2002 and a certified public accountant by the Chinese Institute of Certified Public Accountants in April 2011.

Ms. CHEN Danxia (陳丹霞), aged 39, was appointed as an independent non-executive Director and the chairwoman of the Remuneration Committee on November 27, 2018, primarily responsible for supervising and providing independent judgment to the Board.

Ms. Chen has been the chairwoman of Ousia (Guangzhou) Ind Co., Ltd. (廣州澳希亞實業有限公司) since April 2006. Ms. Chen has been the general manager of cosmetics department since January 2008 and a director since January 2016 at Guangzhou Liby Enterprise Group Co, Ltd. (廣州立白企業集團有限公司). She served as the general manager from January 2009 to December 2013 and has been a chairwoman since January 2014 of Shanghai New COGI Cosmetics Co., Ltd. (上海新高姿化妝品有限公司). Ms. Chen has been the chairwoman at OUSIA AUSTRALIA PTY. LTD since May 2009, an executive director of Tibet Ousia Trading Co., Ltd.（西藏澳希亞商貿有限公司）since June 8, 2016, an executive director of Aokang Chengpin Co., Ltd.（澳康誠品有限公司）since September 7, 2016, a director at Kysun Investment (China) Co., Ltd. (凱晟控股(中國)有限公司) since December 2016, the chairwoman at Guangzhou Cheerwin Biotech Co., Ltd. (廣州超威生物科技有限公司) since January 2018, a manager at Guangzhou Superb Daily Chemical Products Co., Ltd. (廣州超威日用化學用品有限公司) since September 19, 2018, a general manager at AnFu Superb Household Chemical Co., Ltd. (安福超威日化有限公司) since September 25, 2018, an executive director and a general manager at Guangzhou Cheerwin Holdings Limited (廣州朝雲控股有限公司) since October 19, 2018, an executive director and a general manager of Guangzhou Yuntuo E-Commerce Co., Ltd. (廣州雲拓電子商務有限公司) since November 14, 2018, an executive director at Guangzhou Lechong Pet Products Co., Ltd. (廣州樂寵寵物用品有限公司) since November 16, 2018, an executive director and a general manager at Shanghai Runzhisu Biotech Co., Ltd. (上海潤之素生物科技有限公司) since November 19, 2018, an executive director of Guangzhou Leda Auto Accessories Co., Ltd. (廣州樂達汽車用品有限公司) since November 20, 2018, an executive director and general manager of Guangzhou Tongli Commodity Co., Ltd. (廣州通力日用品有限公司) since December 20, 2018 and the chairwoman of Guangzhou Yingshi Qizhi Technology Co., Ltd.（廣州英氏啟智科技有限公司）since February 11, 2019. In addition, she was a director at BKDR Financial Holding Group (寶凱道融投資控股有限公司) from February 2016 to February 2018.

Ms. Chen received her master's degree in marketing and strategic management from the University of Sydney in October 2006.

Mr. De-chao Michael YU (俞德超), aged 55, was appointed as an independent non-executive Director and a member of each of the Remuneration Committee and the Nomination Committee on November 27, 2018, primarily responsible for supervising and providing independent judgment to the Board. Mr. Yu was also appointed as a member of the Audit Committee on March 7, 2019.

Mr. Yu has been an executive director, chairman of the board, president and chief executive officer of Innovent Biologics, Inc. (信達生物製藥) (a company listed on the Stock Exchange, stock code: 1801) since April 28, 2011. Mr. Yu was a director, president and chief executive officer of Chengdu Kanghong Biotech Co. Ltd. (成都康弘生物科技有限公司) from 2006 to 2010. Mr. Yu was the vice president of research and development at Applied Genetic Technology Corporation (a company subse-quently listed on the NASDAQ with ticker symbol AGTC) in 2005. Between 1997 and 2001, Mr. Yu was the vice president of Calydon, Inc. which was later acquired by Cell Genesys, Inc. (a company subsequently listed on the NASDAQ with ticker symbol CEGE), and worked there till 2005 following the acquisition as a principal scientist and a senior director. He served as an independent director at PharmaBlock Sciences (Nanjing), Inc. (南京藥石科技股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 300725) from December 2015 to May 2018.

In addition, he has been a professor and Ph.D supervisor at Sichuan University since 2008. Mr. Yu has also served in different capacities in various committees and associations in the PRC, including as a deputy director of the National Technical Committee on Biochemical Products and Testing Technology of the Standardisation Administration of China (全國生化檢測標準化技術委員會) since 2007, as a member of the Special Committee of Cancer Biotherapy of the China Anti-Cancer Association (中國抗癌協會腫瘤生物治療專業委員會) since 2012, as a deputy director of Drug Research and Development Special Committee of the China Pharmaceutical Innovation and Research Development Association (中國醫藥創新促進會藥物研發專業委員會) since 2015, as a deputy director of the Committee of the Cancer Immunology and Cancer Biotherapy of the Chinese Society for immunology (中國免疫學會腫瘤免疫與腫瘤生物治療專業委員會) since 2016, as the chairman of the board of the Chinese Antibody Society (華人抗體協會) since 2017, as a managing director of the Chinese Association for Medicinal Biotechnology (中國醫藥生物技術協會) from 2014 to 2019 and as a member of the Special Committee for Precision Medicine of the China Medicinal Biotech Association (中國醫藥生物技術協會精準醫療專業委員會) from 2015 to 2019. He was also a standing committee member of the Special Committee of Gene Therapy Society of the Chinese Association of Medicinal Biotechnology (中國醫藥生物技術協會基因治療協會專業委員會) from 2013 to 2017.

Mr. Yu has engaged in innovative research on biopharmaceuticals for more than 20 years, who has invented three Class I new drugs and has led the development of Conbercept and sintilimab. Mr. Yu invented the world's first commercialized oncolytic virus-based immunotherapeutic product, Oncorine® (recombinant human type-5 adenovirus injection), creating a precedent for the use of viruses to treat tumors. Mr. Yu co-invented and led the development of China's first monoclonal antibody-like new drug with global intellectual property rights, Langmu® (Conbercept eye injection) which has changed the history of zero domestically developed medicine for Chinese patients with blindness caused by fundus diseases. Mr. Yu also co-invented and led the development of Tyvyt® (sintilimab injection) which is domestically-developed innovative PD-1 inhibitor with international quality and has been approved for marketing in China for relapsed or refractory classical Hodgkin's lymphoma (r/r cHL) on December 24, 2018.

Mr. Yu is an inventor of over 60 issued patents and patent applications, and has published more than 50 SCI scientific articles and book chapters. He was recognized as "Top Ten Persons in Innovation in China" (創新中國十大年度人物) by Xinhua News Agency and Chinese Association of Productivity Science in 2014, "The E&Y Entrepreneur of the Year in China" in 2015 and "Distinguished Entrepreneur of Jiangsu Province" (江蘇省優秀企業家) by Jiangsu Provincial Government in 2016. Mr. Yu was awarded as "Person of the Year in Innovation for Science and Technology in 2016" (國家2016年度科技創新人物) by China Central Television, "2017 China Person of the Year in Pharmaceutical Economics" (中國醫藥經濟2017年度人物) by Medicine Economic Reporter (醫藥經濟報) and "The Most Influential Person of the Year in Life Science in China in 2017" (2017生命科學領域最具影響力的十大年度人物) by biodiscover.com (生物探索) in 2017. Mr. Yu was awarded First Prize of "The Seventh National Overseas Returnee Contributions Awards" (中國僑界貢獻獎一等獎) by the All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會) in 2018.

Mr. Yu obtained his doctor of philosophy degree in genetics from the Chinese Academy of Sciences (中國科學院) in May 1993 and completed his postdoctoral training in pharmaceutical chemistry in University of California, San Francisco.

Mr. ZHANG Hongjiang, aged 58, was appointed as an independent non-executive Director and a member of each of the Audit Committee and the Nomination Committee on November 27, 2018, primarily responsible for supervising and providing independent judgment to the Board.

From December 1991 to October 1995, Mr. Zhang worked as a researcher at the Institute of System Science, National University of Singapore. Mr. Zhang was a research manager at HP Labs from October 1995 to April 1999. From April 1999 to October 2011, Mr. Zhang served as assistant managing director of Microsoft Research Asia, then, managing director of Microsoft Advanced Technology Center, and the chief technology officer at Microsoft Asia R&D Group. From November 2011 to December 2016, Mr. Zhang served as an executive director and chief executive officer at Kingsoft Corporation Limited (金山軟件有限公司) (a company listed on the Stock Exchange, stock code: 3888), and also served as a director and the chief executive officer at Kingsoft Cloud Holdings Limited. He has been an independent director of Digital China Group Co., Ltd. (神州數碼集團股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 000034.SZ) since 2017, an independent director at Huami Corporation (a company listed on NASDAQ, ticker symbol: HMI) since February 2018 and an independent non-executive director at AAC TECHNOLOGIES HOLDINGS INC. (瑞聲科技控股有限公司) (a company listed on the Stock Exchange, stock code: 2018) since January 1, 2019.

Mr. Zhang received a bachelor of science degree from Zhengzhou University in December 1981 and a Ph.D from Technical University of Denmark in October 1991.

Mr. Zhang is a Fellow of the Institute of Electric and Electronic Engineers ("**IEEE**") and Association for Computing Machinery ("**ACM**"). He was the recipient of the 2012 ACM SIGMM Outstanding Technical Achievement Award, the 2010 IEEE Computer Society Technical Achievement Award, and the 2008 Asian American Engineer of the Year award.

SENIOR MANAGEMENT

Mr. WANG Huainan (王懷南), aged 53, is also our Chief Executive Officer. See the paragraph headed "Executive Director" for his biography.

Mr. XU Chong (徐翀), aged 43, is also our chief financial officer. See the paragraph headed "Executive Director" for his biography.

Mr. ZHAN Hongyong (詹宏勇), aged 47, has been our chief technology officer since he joined our Group in February 2017. Mr. Zhan is primarily responsible for management of research and development in technology. Mr. Zhan joined eLong, Inc. (a company listed on NASDAQ, ticker symbol: LONG) in November 2005 and served as the chief technology officer from January 2011 to October 2014. He served as vice president of Internet center at Cheyipai (Beijing) Automotive Technology Service Co., Ltd. (車易拍(北京)汽車技術服務有限公司) from September 2015 to November 2016.

Mr. Zhan received his bachelor's degree in software from Southwest Normal University (西南師範大學) (currently known as Southwest University (西南大學)) in July 1992.

Mr. WEI Xiaowei (魏小巍), aged 40, joined our Group in April 2010 and took several positions including general sales manager before he was appointed as senior vice president in charge of business of our Group in Feburary 2019, primarily responsible for monetization strategy and business management. He served as vice president and head of business of our Group from December 2017 to February 2019. Mr. Wei is also an executive director at Meitun Mama, Ningbo Meitun and Wuhan Meitun.

Mr. Wei served as a product promotion manager from November 2006 to April 2010 at Legend Holdings Corporation (a company listed on the Stock Exchange, stock code: 3396). Mr. Wei was awarded as "The most innovative leader of 2015" by China Internet Weekly (中國互聯網週刊) in March 2016.

He obtained his master's degree in e-business management from University of Surrey in the UK in March 2004 and his master's degree in supply chain & logistic management from University of Warwick in the UK in January 2006.

Ms. LU Yewei (陸燁瑋), aged 34, was appointed vice president of business of our Company in Feburary 2019, primarily responsible for operations and management of the advertising alliance. She searved as head of advertising business of our Company from July 2017 to February 2019. Ms. Lu worked at Zhongming from October 2008 to July 2010 and re-joined our Company in August 2013, since when she served as the general manager of east China branch, national sales manager and vice president at Zhongming.

Prior to joining our Group, Ms. Lu served as a principal customer sales manager of Baidu (China) Co., Ltd. (百度(中國)有限公司) from September 2006 to August 2008. From September 2010 to July 2013, Ms. Lu served as the business development director at Shanghai Dawen Information Development Co., Ltd. (上海達聞信息發展有限公司), primarily responsible for e-commerce and offline promotions.

Ms. Lu received her bachelor's degree in information management and information system from Shanghai University in July 2006.

Ms. GUO Ying (郭穎), aged 38, joined our Group in July 2012 and served as a director of calling center at Zhongming, a senior director of mobile products at BabyTree Information and the general manager of e-commerce at Meitun Mama. She was appointed chief human resource officer of our Group in Feburary 2019, primarily responsible for organising talent management and development. She searved as head of e-commerce business of our Company from December 2017 to February 2019.

Prior to joining our Group, Ms. Guo served as a business development manager at Lenovo (Beijing) Limited (聯想(北京)有限公司) from May 2003 to April 2008. She served as a senior director of service department at Beijing Badi Zhonghe Technology Co., Ltd. (北京八笛眾和科技有限公司) from May 2008 to March 2012, where she was primarily responsible for product design, implementation and management.

Ms. Guo graduated from Beijing Institute of Petrochemical Technology (北京石油化工學院) with a bachelor's degree in marketing in July 2003.

Mr. TANG Hua (唐樺), aged 37, joined our Group in September 2011 as an editor and was appointed vice president of operation in Feburary 2019, primarily responsible for operational management and development of our products. He served as head of product operation of our Company from February 2018 to February 2019.

Prior to joining our Group, Mr. Tang served as a community manager at Shanghai Qiubike Network Information Technology Co., Ltd. (上海丘比可網絡信息技術有限公司) from May 2008 to May 2009, where he was mainly responsible for the operation of the website community. From July 2009 to February 2010, Mr. Tang served as a website operation manager at Yang Yao Network Technology (Shanghai) Co., Ltd. (揚耀網絡科技(上海)有限公司).

Mr. Tang received his graduate certificate in financial computer management from China Management Software Institute (中國管理軟件學院) on July 30, 2003.

Ms. WANG Dan (王丹), aged 32, joined our Group in April 2014 and was appointed senior director of public relations of our Group in Feburary 2019, primarily responsible for brand and public relations management. She served as head of brand and public relations from February 2018 to February 2019.

Ms. Wang served as a senior manager of public relations at Shanghai Huaqianshu Information Technology Limited (上海花千樹信息科技有限公司) from July 2010 to March 2014.

Ms. Wang graduated from Liaoning University (遼寧大學) with a bachelor's degree in international economics and trade in July 2010.

Joint Company Secretaries

Ms. CHEN Hongyou (陳泓攸), aged 30, joined our Group in December 2014 as a legal manager and was appointed as a joint company secretary of the Company in June 2018. Prior to joining our Group, Ms. Chen worked as a legal specialist at Scitech Group Co., Ltd. (賽特集團有限公司) from July 2011 to December 2014. Ms. Chen received her bachelor's degree in law from China University of Political Science and Law in July 2011.

Ms. WU Miu Wah (胡妙華), aged 48, was appointed as a joint company secretary of the Company in June 2018. Ms. Wu is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Wu has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Her expertise extends from corporate advisory and regulatory compliance, corporate restructuring.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has applied the principles as set out in the CG Code contained in Appendix 14 of the Listing Rules.

The Board is of the view that since the Listing Date and up to December 31, 2018, the Company has complied with all applicable code provisions as set out in the CG Code, except for the deviation from code provision A.2.1 as explained under the paragraph "Chairman and Chief Executive Officer" below.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the growth of its business and to reviewing such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

Model Code for Securities Transactions

The Board has adopted the Model Code set out in Appendix 10 of the Listing Rules as the Group's code of conduct regarding Directors' securities transactions.

Specific enquiry has been made by the Company with all Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date and up to December 31, 2018.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by relevant employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises eleven Directors, consisting of two executive Directors, five non-executive Directors and four independent non-executive Directors.

During the year ended December 31, 2018 and up to the date of this Annual Report, the Board comprises the following directors:

Executive Directors

Mr. WANG Huainan *(Chairman and Chief Executive Officer)*
Mr. XU Chong

Non-executive Directors

Mr. CHEN Qiyu
Mr. WANG Changying
Mr. SHAO Yibo (resigned on March 7, 2019)
Mr. LUO Rong (resigned on March 7, 2019)
Mr. MA Jiangwei (appointed on March 7, 2019)
Mr. Christian Franz REITERMANN
Mr. JING Jie

Independent non-executive Directors

Mr. CHEN Guanglei
Ms. CHEN Danxia
Mr. De-chao Michael YU
Mr. ZHANG Hongjiang

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical information of the Directors including the relationships among the members of the Board are set out in the section headed "Directors and Senior Management" of this Annual Report.

To the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

Chairman and Chief Executive Officer

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

The positions of the Chairman and Chief Executive Officer of the Company are held by Mr. WANG Huainan. In view of Mr. Wang's experience, personal profile and his roles in our Company as mentioned in the section "Directors and Senior Management" and the fact that Mr. Wang has assumed the role of Chief Executive Officer of our Company since our commencement of business, the Board considers it beneficial to the business prospect and operational efficiency of our Company that Mr. Wang acts as the chairman of the Board and continues to act as the Chief Executive Officer of our Company after the Listing. While this will constitute a deviation from code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors; (ii) Mr. Wang and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Company are made collectively after thorough discussion at both Board and senior management levels.

The chairman provides leadership to the Board by ensuring the Board works effectively and discharges its responsibilities in time. The chairman himself, or a Director or company secretary delegated by him, is responsible for drawing up and approving the agenda for each Board meeting. The chairman ensures that good corporate governance practices and procedures are established. The chairman encourages all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the issuer. The chairman ensures that all Directors receive adequate information to fulfill their duties, which must be complete and reliable in a timely manner. The chairman ensures effective communication with Shareholders and that views of Shareholders are communicated to the Board as a whole. The chairman promotes a culture of openness and debate by facilitating the effective contribution of non-executive Directors in particular and ensures constructive relations between executive and non-executive Directors.

The Board will continue to review the effectiveness of the corporate governance structure of the Company in order to assess whether separation of the roles of Chairman of the Board and Chief Executive Officer is necessary.

Independent non-executive Directors

Since the Listing Date, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least four independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Each independent non-executive Director has entered into an appointment letter with the Company for a term of three years commencing from the Listing Date and the appointment letter shall continue unless and until terminated by not less than three months' notice in writing served by either party to another.

The Company has received written annual confirmation from each of the independent non-executive Director in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the current term.

The Company's Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment.

Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including the non-executive Directors and the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interest and serving on Board committees, all non-executive Directors (including the independent non-executive Directors) make various contributions to the effective direction of the Company.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

All Directors carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Board has clearly set out the circumstances under which the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Board regularly reviews the above said circumstances and ensures they remain appropriate.

If any Substantial Shareholder or Director has a potential conflict of interest in a matter to be considered by a general meeting or the Board, the relevant Directors shall abstain from voting and a Board meeting attended by independent non-executive Directors who have no material interest in the matter shall be held to discuss and vote on the same. Save as disclosed above, there are no relationships (including financial, business, family or other material/relevant relationship(s)) among the Board members.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended December 31, 2018, the Company organized a training session conducted by the Hong Kong legal advisors of the Company and attended by all Directors. Such training session covers a wide range of relevant topics including Directors' duties and responsibilities/corporate governance/update on Listing Rule amendments etc. In addition, relevant reading materials have been provided to the Directors for their reference and studying.

The record of continuous professional development relating to Director's duties and regulatory and business development that have been received by the Directors for the year ended December 31, 2018 and up to date of this report are summarized as follows:

Directors	Type of Training [(1)]
Executive Directors	
Mr. WANG Huainan	A
Mr. XU Chong	A
Non-executive Directors	
Mr. CHEN Qiyu	A, B
Mr. WANG Changying	A, B
Mr. SHAO Yibo[(2)]	A
Mr. LUO Rong[(2)]	A
Mr. MA Jiangwei[(3)]	A
Mr. Christian Franz REITERMANN	A
Mr. JING Jie	A
Independent non-executive Directors	
Mr. CHEN Guanglei	A, B
Ms. CHEN Danxia	A
Mr. De-chao Michael YU	A
Mr. ZHANG Hongjiang	A

Notes:

(1) Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

(2) Resigned as a non-executive Director with effect from March 7, 2019.

(3) Appointed as a non-executive Director with effect from March 7, 2019.

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 Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

As at December 31, 2018, the Audit Committee consists of three members including two independent non-executive Directors, namely Mr. CHEN Guanglei (Chairman) and Mr. ZHANG Hongjiang and one non-executive Director, namely Mr. SHAO Yibo (with Mr. CHEN Guanglei possessing the appropriate professional qualifications or accounting or related financial management expertise). As a result of the resignation of Mr. SHAO Yibo as a non-executive Director, he has ceased to act as a member of the Audit Committee with effect from March 7, 2019 and Mr. De-chao Michael YU, an independent non-executive Director, has been appointed as a member of the Audit Committee with effect from March 7, 2019.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, provide advice and comments to the Board and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

No meeting of the Audit Committee was held during the period from the Listing Date to December 31, 2018. Up to the date of this annual report, a meeting of the Audit Committee was held on March 25, 2019 to review, in respect of the year ended December 31, 2018, the annual financial results and report and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties. The Audit Committee has been provided with sufficient resources to discharge its duties.

The Audit Committee will also meet the external auditors twice a year without the presence of the executive Directors.

Remuneration Committee

As at December 31, 2018, the Remuneration Committee consists of five members including three independent non-executive Directors, namely Ms. CHEN Danxia (Chairwoman), Mr. CHEN Guanglei and Mr. De-chao Michael YU and two executive Directors, namely Mr. WANG Huainan and Mr. XU Chong.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, making recommendations to the Board on the remuneration policy and structure for all Directors and senior management and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

As the Company has just been listed on November 27, 2018 and there was no change in the policy and structure of the remuneration of the Directors and senior management of the Group, no meeting of the Remuneration Committee was held from the Listing Date up to December 31, 2018. Up to the date of this Annual Report, a meeting of the Remuneration Committee was held on March 27, 2019 to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and other related matters.

Nomination Committee

As at December 31, 2018, the Nomination Committee consists of three members including one executive Director, namely Mr. WANG Huainan (Chairman) and two independent non-executive Directors, namely Mr. De-chao Michael YU and Mr. ZHANG Hongjiang.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

No meeting of the Nomination Committee was held from the Listing Date to December 31, 2018. Up to the date of this Annual Report, a meeting of the Nomination Committee was held on March 27, 2019 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy on November 1, 2018 which sets out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

Board nomination and appointments will continue to be made on merit basis based on its business needs from time to time while taking into account diversity. The Nomination Committee has primary responsibility for identifying individuals suitably qualified to become members of the Board and selecting, or making recommendations to the Board on the selection of, individuals nominated for directorships.

Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

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. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee is responsible for reviewing the policy, developing and reviewing measurable objectives for implementing the policy and monitoring the progress on achieving these measurable objectives.

The Nomination Committee shall review this policy and the measurable objectives at least annually, and as appropriate, to ensure the continued effectiveness of the Board.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the period from the Listing Date to the date of this report, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employee Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

Code provision A.1.1 of the CG Code provides that regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

During the period from the Listing Date to December 31, 2018, the Board has not held any meetings. After listing on the Stock Exchange, the Company has adopted the practice of holding Board meetings regularly for at least four times a year at approximately quarterly intervals to discuss overall strategy as well as operations and financial performance of the Group. Up to the date of this annual report, three Board meetings were held on February 21 and March 7 and 27, 2019 respectively.

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to the Directors in advance. Notice of regular Board meetings is served to all the Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep Directors apprised of the latest development and financial position of the Company and to enable them to make decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

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

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

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

Attendance Records of Directors

The attendance records of each Director at the Board, Board committee meetings and the general meetings of the Company held from the Listing Date up to the date of this annual report are set out below:

	Number of Attendance in Person/Number of Meeting(s)				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting[1]**
Mr. WANG Huainan	3/3	N/A	1/1	1/1	N/A
Mr. XU Chong	3/3	N/A	1/1	N/A	N/A
Mr. CHEN Qiyu	2/3	N/A	N/A	N/A	N/A
Mr. WANG Changying	3/3	N/A	N/A	N/A	N/A
Mr. SHAO Yibo (resigned on March 7, 2019)	0/2	N/A	N/A	N/A	N/A
Mr. LUO Rong (resigned on March 7, 2019)	1/2	N/A	N/A	N/A	N/A
Mr. Ma Jiangwei (appointed on March 7, 2019)	1/1	N/A	N/A	N/A	N/A
Mr. Christian Franz REITERMANN	2/3	N/A	N/A	N/A	N/A
Mr. JING Jie	0/3	N/A	N/A	N/A	N/A
Mr. CHEN Guanglei	3/3	1/1	1/1	N/A	N/A
Ms. CHEN Danxia	3/3	N/A	1/1	N/A	N/A
Mr. De-chao Michael YU	2/3	1/1	1/1	1/1	N/A
Mr. ZHANG Hongjiang	3/3	1/1	N/A	1/1	N/A

Note:

(1) The Company was incorporated on February 9, 2018. No annual general meeting was held from the date of incorporation up to date of this annual report.

DIVIDEND POLICY

The Board adopted a Dividend Policy which is applicable for the financial years commencing from January 1, 2019 and sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders of the Company.

A summary of the dividend policy is set out below:

1. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value.

2. The Company does not have any pre-determined dividend payout ratio.

3. The Board has the discretion to declare and distribute dividends to the Shareholders of the Company, subject to the Articles of the Association of the Company and all applicable laws and regulations and the factors set out below.

4. The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:

    - financial results;
    - cash flow situation;
    - business conditions and strategies;
    - future operations and earnings;
    - capital requirements and expenditure plans;
    - interests of Shareholders;
    - any restrictions on payment of dividends; and
    - any other factors that the Board may consider relevant.

5. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:

    - interim dividend;
    - final dividend;
    - special dividend; and
    - any distribution of net profits that the Board may deem appropriate.

6. Any final dividend for a financial year will be subject to Shareholders' approval.

7. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

8. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's Articles of Association.

The Board will review the dividend policy as appropriate from time to time.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as information system, financial reporting, internal audit and human resources.

Information System Risk Management

Our objectives for information system management are to identify, assess, monitor and control information technology risks by establishing an effective mechanism to operate our business in a safe, continuous, stable and compliant environment. We have implemented policies and procedures stipulating: (i) the release of mobile apps in the ordinary course and on an urgent basis; (ii) the operation of our platforms: we monitor certain key indicators and give an alarm if such indicators go beyond the security thresholds; (iii) the management of the authorities of our employees and business partners to access certain functions of our platforms; (iv) the management of the network and hard drive capacities and (v) troubleshooting: we categorize system malfunctions and accidents into three levels according to their seriousness and urgency, and implement different mechanisms to fix them.

Financial Reporting Risk Management

We have implemented a financial reporting system, consisting of policies and procedures for: (i) bottom-up financial reporting: in the ordinary course of business, the financial personnel shall report to the manager of the financial department and the chief financial officer level by level. Any new business the accounting treatment methods for which has not been stipulated shall be reported to the chief financial officer in a timely manner; (ii) top-down inquiries: the audit personnel at the group level can request financial information from any member of the Group as work requires and ask questions about the information provided; (iii) assignment of responsibilities: relevant financial personnel perform document verification, review and bookkeeping in the accounting system according to their duties and authorities; (iv) book closing: monthly and quarterly accounts shall be reconciled and closed within the first ten business days of the next month or quarter; (v) accounting error correction: we have formulated different rectification measures for different types of accounting errors, including errors that occurred during the current accounting period, immaterial errors that occurred during the last accounting period and material errors that occurred during the last accounting period; (vi) financial statement preparation: each operating entity will prepare its monthly and annual financial reports. The monthly report of each operating entity shall be submitted to the Group within the first ten business days of the next month, and the annual report of each operating entity shall be submitted to the Group within 15 business days after the end of the year and (vii) financial statement analysis: financial analysis meetings shall be held regularly every month, during which the financial managers of each company shall present results of operations, financial condition and qualitative and quantitative analysis to the senior management. With these policies and procedures, we aim to ensure that the information reported and disclosed in the financial report is true, complete, accurate and timely.

Internal Audit Risk Management

We value the importance of our internal audit, as it is essential to our stable operation and sustainable development. The objectives of our internal audit are to monitor the implementation of applicable laws and regulations and our internal policies, procedures and standard operational procedures, to control our risk exposure at an acceptable level and to improve our business operations.

We have implemented an independent and vertical organizational system for our internal audit. We set up an Audit Committee under the Board of Directors to organize and guide our internal audit work. The Internal Audit Department regularly reports to the Audit Committee and submits reports on audit projects in a timely manner.

As the executive department of our internal audit, the Internal Audit Department is responsible for the supervision, evaluation and consulting independently. According to our internal audit procedures, the Internal Audit Department is responsible for auditing and monitoring the soundness and effectiveness of our internal controls, reviewing the reliability of accounting records and financial statements, analyzing and assessing our business policies and activities of our business units for appropriateness, efficiency and compliance, and auditing and appraising the performance of our management team.

Human Resources Risk Management

We have implemented a human resource management system to ensure the effective functioning of our Group, safeguard the legitimate rights and interests of both parties to the employment relationship and improve operating efficiency. Our internal human resource management system covers all the stages of employment relationship, from recruitment to probation, appraisal, transition and exit.

Anti-corruption

We have implemented internal anti-corruption rules to ensure compliance with relevant laws and regulations. Our anti-corruption rules define the scope of "corruption" and have detailed requirements as to gifts and banquets, conflict of interest and financial reporting. Our compliance department is responsible for the training, supervision and execution of our anti-corruption rules and reports to our Chief Executive Officer. We have set up a corruption report center to collect information on suspected corruption incidents. We offer a reward to real-name informants who report proven corruption incidents. We also have investigation and punishment procedures in place.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the period from the Listing Date to December 31, 2018.

At the board meeting held on March 27, 2019, the Board, as supported by the Audit Committee as well as the management report, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the period from the Listing Date to December 31, 2018, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

Whistleblowing Policy for Employees to Raise Concerns about Possible Improprieties

The Company is committed to achieving and maintaining the highest standards of openness, probity and accountability. The Company's employees at all levels should conduct themselves with integrity, impartiality and honesty.

The Board has adopted a Whistleblowing Policy to govern and deal with fairly and properly concerns raised by the Company's employees about any suspected misconduct or malpractice regarding financial reporting, internal control or other matters within the Company.

The Audit Committee of the Company shall review regularly the policy and ensure that arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

PERFORMANCE OF THE NON-COMPETITION UNDERTAKING BY THE LARGEST SHAREHOLDER (MR. WANG HUAINAN)

The independent non-executive Directors were delegated with the authority to review, on an annual basis, the compliance with the non-competition undertaking executed by Mr. WANG Huainan, the largest Shareholder of the Company, and provide impartial and professional advice to protect the interest of our minority Shareholders.

On November 6, 2018, Mr. WANG undertook that so long as he remains as the largest Shareholder of the Company, he will not, and will procure all companies he controls not to engage in or develop any business competing or potentially competing with our main business or key products, including investment in, mergers and acquisitions of any companies, entities or economic organizations engaged in the same or similar core business or primarily manufacturing the same or similar products. In addition, he acknowledged that the Group shall have priority to develop any new business in the future, and he will not, and will procure any companies controlled by him not to develop such new business.

Mr. WANG has confirmed that he had complied with the non-competition undertaking from the Listing Date to December 31, 2018 and up to the date of this annual report. The independent non-executive Directors were not aware of any non-compliance of the non-competition undertaking given by Mr. WANG from the Listing Date to December 31, 2018 and up to the date of this annual report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2018.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements relating to disclosure of insider information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group.

Details of the remuneration of each of the Directors for the year ended December 31, 2018 are set out in note 8 to the consolidated financial statements.

The annual remuneration of the members of the senior management (other than Directors) by bands for the year ended December 31, 2018 is set out below:-

	Number of individuals
Nil to HK$1,000,000	2
HK$1,000,000 to HK$2.000.000	4
Total	6

Auditor's Remuneration

During the year ended December 31, 2018, the total fee paid/payable in respect of audit and non-audit services provided by the Company's external auditor, Messrs. KPMG, Certified Public Accountants is set out below:

Category of services	**Fee paid/ payable** RMB'000
Audit services	4,800
Non-audit services	100
Total	4,900

JOINT COMPANY SECRETARIES

Ms. CHEN Hongyou and Ms. WU Miu Wah are the joint company secretaries of the Company. Ms. WU is a senior manager of the Corporate Services Department of Tricor Services Limited and is not an employee of the Company. Ms. WU will contact the management of the Company and report to the Board Chairman and/or the Chief Executive Officer through Ms. CHEN when necessary. Both Ms. CHEN and Ms. WU have confirmed that each of them has taken no less than 15 hours of relevant professional trainings during the year ended December 31, 2018.

A physical Board meeting is held to discuss the selection, appointment or dismissal of the company secretary.

All Directors have access to the advice and services of the company secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with 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 Shareholders and investors to make the best investment decisions.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The general meetings of the Company provide a platform for communication between the Board and the Shareholders. The chairman of the Board as well as chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees, are available to answer Shareholders' questions at general meetings. A notice to Shareholders is sent by the issuer at least 20 clear business days before the annual general meeting and at least 10 clear business days in all other general meetings.

During the period from the Listing Date to December 31, 2018, the Company has not made any changes to its Memorandum and Articles of Association. The Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

To promote effective communication, the Company maintains a website (ir.babytree.com), where up-to-date information and updates on the Company's financial information, corporate governance practices, biographical information of the Board and other information are available for public access.

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels and a Shareholders' Communication Policy is in place to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Procedures for Shareholders to convene an Extraordinary General Meeting and Putting Forward Proposal at General Meeting

Article 12.3 of the Company's Articles of Association provides that any two or more members may deposit written requisition at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the Company:

Address:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (For the attention of the Board of Directors/Company Secretary)
Telephone:	86-10-61138080
Email:	ir@babytree-inc.com

For the avoidance of doubt, 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. Shareholders' information may be disclosed as required by law.

The Board is pleased to present its report together with the audited consolidated financial statements of the Group, for the year ended December 31, 2018.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on February 9, 2018 as an exempted limited liability company under the Companies Law. The Company's Shares were listed (the "**Listing**") on the Main Board of the Stock Exchange on November 27, 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the advertising, e-commerce and content monetization. Details of the principal activities of the principal subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

The business review and performance analysis of the Group for the year ended December 31, 2018 is set out in the section headed "Chairman's Statement" from pages 3 to 9 and "Management Discussion and Analysis" from pages 10 to 17 of this annual report.

FINANCIAL HIGHLIGHTS

Our total online user base increased to an average 144.1 million total MAUs in 2018 from 139.0 million in 2017. Mobile users (including both WAP and mobile apps) constituted 61.5% of our overall user base in 2018. Our average total MAUs on mobile apps increased to 22.7 million in 2018 from 16.8 million in 2017, representing a growth of 35.1%. Notably, in the fourth quarter of 2018, our average MAUs on mobile reached 135.9 million and our average MAUs on mobile apps reached 32.1 million.

Our total revenue increased to RMB760.1 million for the year ended December 31, 2018 from RMB729.6 million for the year ended December 31, 2017. Notably, revenue from advertising business increased to RMB596.2 million for the year ended December 31, 2018 from RMB372.4 million for the year ended December 31, 2017, representing a growth of 60.1%.

Our adjusted net profit for the year was RMB201.2 million in 2018, compared to RMB155.1 million in 2017, representing a growth of 29.7%.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Our shares were listed on the Stock Exchange on November 27, 2018 and the net proceeds raised during our initial public offering were approximately HKD1,769.7 million. The intended use of net proceeds is as follows:

- Approximately 30% of the net proceeds will be used for business expansion, such as acquiring users and improving user engagement, generating and acquiring more quality content, recruiting and retaining competent personnel to support our expansion and brand marketing activities, and further enhancing our brand awareness through marketing activities;
- Approximately 30% of the net proceeds will be used for research and development, such as recruiting and retaining technical talent, maintaining and strengthening our IT infrastructure and further developing our technology stack;
- Approximately 30% of the net proceeds will be used for further investments, acquisitions and strategic alliances, such as investing in companies with advanced technology and service solutions or with complimentary business lines, or have adequate capabilities to generate synergy with our current business, and establishing partnerships with quality local partners in overseas countries;
- Approximately 10% of the net proceeds will be used as working capital and other general corporate purposes.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we may hold such funds in short-term deposits or other short-term wealth management products so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

The net proceeds had not been utilized since our Listing to December 31, 2018 due to the relatively short period.

KEY RELATIONSHIPS

Relationship with Suppliers

Our suppliers primarily include suppliers of products sold through direct sales on our e-commerce platform. Our largest supplier accounted for 35.3% of our total purchases for the year ended December 31, 2018. Our top five suppliers accounted for 71.8% of our total purchases for the year ended December 31, 2018.

Relationship with Customers

Our customers primarily include advertising customers (including advertisers and advertising agencies), users who make purchases on our e-commerce platform and users who purchase or subscribe for our premium content. We have a broad base of customers. Our largest customer (an advertising customer) for the year ended December 31, 2018 accounted for 15.4% of our revenue. Our top five customers (advertising customers including advertising agencies and a baby formula distributor) accounted for 31.6% of our revenue for the year ended December 31, 2018.

All of the Group's five largest customers and suppliers are independent third parties. None of the Directors, their close associates or the Shareholders which to the best knowledge of the Directors, own more than 5% of the issued share capital of the Company, had any interest in any of the five largest customers or suppliers during the year ended December 31, 2018.

Relationship with Employees

We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations. None of our employees are currently represented by labor unions.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Details of such are set out in the Environmental, Social and Governance Report in this annual report.

LICENCES, REGULATORY APPROVALS AND COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended December 31, 2018, there were no material breaches or violations of relevant laws and regulations in China, where the Group has business entities and operation, and the Group obtained all material licences and permits necessary for its business in the jurisdictions in which the Group operates. Details of our compliance with relevant laws and regulations are set out in Environmental, Social and Governance Report.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operation of the Group, and principal risks and uncertainties that the Group faces and key mitigations that the Group adopts are summarized as follows:

Principal Risks and Uncertainties	Description	Key Mitigations
Uncertainty to maintain and enhance our brand	We receive media coverage. Any unfavorable publicity could adversely affect our reputation. Such negative publicity also could have an adverse effect on the size, engagement and loyalty of our user base and result in decreased revenue, which could adversely affect our business and financial results. If we are not able to maintain and enhance our brand, or if events that occur damage our reputation and brand, our ability to expand our user base may be impaired, and our business and financial results may be harmed.	The Company has set up a professional public relations department and team. At the same time, we have hired a renowned public relations firm to assist our public relations department. They pay timely attention to and collect public opinion, analyze the relevant information and provide corresponding solutions to the management team, and the management team will take appropriate actions in accordance with the Company's policies and procedures.

Principal Risks and Uncertainties	Description	Key Mitigations
Risks related to the high competitiveness of our business	We face significant competition from M&C product and service providers. We also face competition from traditional and online media outlets for advertising budgets. As we introduce new products, as our existing products evolve, or as other companies introduce new products and services, we may become subject to additional competition. If we are unable to compete effectively, our business, financial conditions and results of operations may be materially and adversely affected.	The Company pays close attention to the changing trend of the industry, following up the development of new technology and the change of user experience through timely technical innovation. By recruiting more outstanding talents, optimizing the organizational structure, improving staff quality and training young staff, the Company continuously improves its innovation ability, concentrates resources to strengthen the technical capability of products and improve the en-vironment of technical innovation, and continuously develops market-oriented products to meet users' expectation. Externally, we respond to the market needs in a timely manner through the co-construction of ecosystem, combining platform advantages, finding better partners and expanding into more innovative areas.
Dependence on a limited number of key advertising customers	A significant portion of our revenue is attributable to a limited number of advertising customers. We expect that such largest customers will continue to account for a significant portion of our revenue in the foreseeable future. This may lead to heightened customer or credit concentration risks. We derive a substantial portion of our revenue from a limited number of key advertising customers, which may make our cash flow and earnings volatile. Our long-term plan to reduce such volatility may not be successful.	While maintaining efficient service for major advertising customers, the Company made more efforts to explore advertising customers in fields not directly relating to M&C, such as auto-manufacturing, cosmetics and other fields. We have also set up a team dedicated to serving advertising customers from areas not directly relating to M&C, with a view to expanding our advertising customer base, making our advertising revenue more diversified and the revenue structure more solid.

Principal Risks and Uncertainties	Description	Key Mitigations
Risks related to confidential information of our online users and our network	Our platforms collect, store and process personal and other sensitive data from our users. Users are required to provide bio data for registration on our platforms. Our security measures may be breached due to employee error, malfeasance, system errors or vulnerabilities, or otherwise. Failure to protect confidential information of our online users and our network against security breaches, any actual or perceived failure by us or third parties to comply with applicable data protection laws and regulations or privacy policies could substantially harm our business, financial condition and results of operations.	The Company has the responsibility to protect users' sensitive information, and has always listed users' private information as the highest level of sensitive information of the Company. The Company has established relevant systems and control measures for sensitive information management, including the establishment of an effective management system to ensure the security of sensitive information through encryption technology, data access rights control and procedure control. Meanwhile, the Company's independent professional team will regularly check the protection of sensitive information, as well as conducting training and promotion for the awareness of information security to enhance employees' awareness of protecting sensitive information.

For risks associated with the Contractual Arrangements, see section headed "Risks relating to the Contractual Arrangements" in this Directors' Report.

SUBSEQUENT EVENT

Particulars of important events affecting the Group that have occurred since the year ended December 31, 2018 are stated in note 33 to the consolidated financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended December 31, 2018 and the state of the Group's financial position as at that date are set out in the consolidated financial statements on pages 92 to 163 of this annual report.

Final Dividend

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2018.

Distributable Reserves

As of December 31, 2018, the Company's distributable reserves calculated under the Companies Law comprise the share premium and retained profits totaling approximately RMB2,652.1 million (nil as of December 31, 2017).

Reserves

Changes to the reserves of the Group during the year ended December 31, 2018 are set out in the consolidated statement of changes in equity in this annual report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2018 are set out in note 12 to the consolidated financial statements in this annual report.

Share Capital

Details of movements in the share capital of the Company during the year ended December 31, 2018 are set out in note 28 to the consolidated financial statements in this annual report.

Bank Borrowings and other Loans

There are no bank borrowings or other loans of the Group as at December 31, 2018.

Charge on Assets

There was no charge on the Group's assets as at December 31, 2018.

Donation

There was no donations made by the Group during the year ended December 31, 2018.

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last four financial years is set out on page 2 of this annual report. This summary does not form part of the audited consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended December 31, 2018, except for the Global Offering in connection with the Listing, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

DIRECTORS

The Directors of the Company during the year ended December 31, 2018 and up to the date of this report were:

Name	Position/Title
WANG Huainan (王懷南)	Executive Director, chairman of the Board and Chief Executive Officer (appointed on Feburary 9, 2018)
XU Chong (徐翀)	Executive Director (appointed on June 11, 2018)
CHEN Qiyu (陳啟宇)	Non-executive Director (appointed on June 11, 2018)
WANG Changying (王長穎)	Non-executive Director (appointed on June 11, 2018)
SHAO Yibo (邵亦波)	Non-executive Director (appointed on June 11, 2018 and resigned on March 7, 2019)
LUO Rong (羅戎)	Non-executive Director (appointed on June 11, 2018 and resigned on March 7, 2019)
MA Jiangwei (馬江偉)	Non-executive Director (appointed on March 7, 2019)
Christian Franz REITERMANN	Non-executive Director (appointed on June 11, 2018)
JING Jie (靖捷)	Non-executive Director (appointed on June 11, 2018)
CHEN Guanglei (陳廣壘)	Independent non-executive Director (appointed on November 27, 2018)
CHEN Danxia (陳丹霞)	Independent non-executive Director (appointed on November 27, 2018)
De-chao Michael YU (俞德超)	Independent non-executive Director (appointed on November 27, 2018)
ZHANG Hongjiang	Independent non-executive Director (appointed on November 27, 2018)

Pursuant to Article 16.2 of the Articles of Association, Mr. XU Chong, Mr. CHEN Qiyu, Mr. WANG Changying, Mr. Christian Franz REITERMANN and Mr. JING Jie who were appointed on June 11, 2018, Mr. CHEN Guanglei, Ms. CHEN Danxia, Mr. De-chao Michael YU and Mr. ZHANG Hongjiang who were appointed on November 27, 2018, and Mr. MA Jiangwei who was appointed on March 7, 2019 shall retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

In addition, pursuant to Article 16.19 of the Articles of Association, Mr. WANG Huainan shall retire by rotation and, being eligible, offer himself for re-election at the forthcoming AGM.

The biographical details of the Directors and senior management of the Company as at the Latest Practicable Date are set out in the section headed "Directors and Senior Management" in this annual report.

Directors' Service Contracts and Letters of Appointment

On November 1, 2018, each of the executive Directors entered into a service contract, and each of the non-executive Directors (excluding Mr. MA Jiangwei) and the independent non-executive Directors entered into an appointment letter with our Company, respectively.The principal particulars of these service contracts and appointment letters are: (a) each of the service contracts and appointment letters is for a term of three years commencing from Listing Date; and (b) each of the service contracts and appointment letters is subject to termination in accordance with their respective terms.

Mr. MA Jiangwei has signed a letter of appointment with the Company for a term of three years commencing from March 7, 2019 which may be terminated by either party giving to the other not less than one month's prior notice in writing.

The service contracts and appointment letters may be renewed in accordance with the Articles of Association and the applicable rules. None of the Directors proposed for re-election at the AGM has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors (being Mr. CHEN Guanglei, Ms. CHEN Danxia, Mr. De-chao Michael YU and Mr. ZHANG Hongjiang), and the Company considers such Directors to be independent for the year ended December 31, 2018.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as the material related party transactions as disclosed in note 31 to the consolidated financial statements and the connected transactions as disclosed in the section headed "Connected Transactions" in this Directors' Report, there was no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director and/or any of its connected entity had a material interest, whether directly or indirectly subsisted at the end of, or at any time during the year ended December 31, 2018. The Company did not have any controlling shareholder at any time during the year ended December 31, 2018.

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

As at December 31, 2018, the Directors and the chief executives of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executives of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules:

Interest in Shares of the Company

Name of Director	Nature of interest/Capacity	Number of ordinary Shares	Approximate percentage of the issued share capital[4]
Mr. WANG Huainan[1]	Interest in controlled corporations	370,096,250[3]	21.92%
	Interest of a party to an agreement	127,612,683[3]	7.56%
Mr. WANG Changying[2]	Interest in controlled corporations	550,943[3]	0.03%

Notes:

(1) 370,096,250 Shares are held by Wang Family Limited Partnership, which is owned by Golden Leaf Cayman Holdings Limited (general partner of Wang Family Limited Partnership) as to 0.01%, Golden Leaf Holdings Limited (sole shareholder of Golden Leaf Cayman Holdings Limited) as to 30%, and Mr. WANG Huainan in the capacity of trustee of Allen Wang Grantor Retained Annuity Trust (a limited partner of Wang Family Limited Partnership) as to 39.99%. Mr. WANG Huainan is the sole shareholder of Golden Leaf Holdings Limited and founder of Allen Wang Grantor Retained Annuity Trust. Accordingly, he is deemed to be interested in the Shares held by Wang Family Limited Partnership under the SFO.

Pursuant to the voting agreements dated September 10, 2018 entered into by each of Tenzing Holdings 2011, Ltd., Jumei International and Bin Jiang (Hong Kong) Limited with Mr. WANG Huainan, respectively, Mr. WANG Huainan as an attorney has the right to vote over all the 127,612,683 Shares held by them.

(2) As at December 31, 2018, Mr. WANG Changying wholly owned Wingnou Investments Limited and therefore Mr. WANG Changying is deemed to be interested in the Shares held by Wingnou Investments Limited under the SFO.

(3) All the Shares are held in long position.

(4) As at December 31, 2018, the total number of issued Shares of the Company was 1,688,488,109.

Equity Interest in Zhongming (an association corporation of the Company)

Name of Director	Nature of interest/Capacity	Approximate percentage of equity interest
Mr. WANG Huainan[1]	Beneficial owner	79.66%
	Interest in controlled corporations	0.47%
Mr. XU Chong[2]	Interest in controlled corporations	2.53%
Mr. WANG Changying	Beneficial owner	0.04%

Notes:

(1) As at December 31, 2018, Mr. WANG Huainan directly held approximately 79.66% equity interest in Zhongming. As he also is the general partner of Ningbo Baoshu, he is therefore deemed to be interested in the equity interest held by Ningbo Baoshu in Zhongming under the SFO.

(2) As at December 31, 2018, Mr. XU Chong was the general partner of Ningbo Zhishan, Ningbo Honghu and Ningbo Yimengweima, which held equity interest in Zhongming as to approximately 1.76%, 0.47% and 0.30%, respectively. Mr. XU Chong is therefore deemed to be interested in such equity interest held by Ningbo Zhishan, Ningbo Honghu and Ningbo Yimengweima respectively under the SFO.

Save as disclosed above, as at December 31, 2018, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules. Save as disclosed above, at no time was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

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

As at December 31, 2018, so far as is known to the Director or chief executives of the Company, the persons or corporations (other than Directors or chief executives of the Company) who had interest or short positions in the Shares and underlying shares of the Company or its associated corporation(s) which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary Shares	Approximate percentage of the issued share capital[7]
Ms. TANG Yu[1] [2]	Interest of spouse	497,708,933[6]	29.48%
Wang Family Limited Partnership[2]	Beneficial owner	370,096,250[6]	21.92%
Golden Leaf Holdings Limited[2]	Interest in a controlled corporation	370,096,250[6]	21.92%
Golden Leaf Cayman Holdings Limited[2]	Interest in a controlled corporation	370,096,250[6]	21.92%
Fosun International Limited[3]	Beneficial owner/Interest in controlled corporations	366,947,689[6]	21.73%
Fosun International Holdings Ltd.[3]	Interest in controlled corporations	366,947,689[6]	21.73%
Mr. GUO Guangchang[3]	Interest in controlled corporations	366,947,689[6]	21.73%
Startree (BVI) Limited[3]	Beneficial owner	352,268,189[6]	20.86%
Fosun Health Holdings Limited[3]	Interest in controlled corporations	352,268,189[6]	20.86%
Fosun Holdings Limited[3]	Interest in controlled corporations	352,268,189[6]	20.86%
Taobao China Holding Limited[4]	Beneficial owner	165,212,457[6]	9.78%
Taobao Holding Limited[4]	Interest in controlled corporations	165,212,457[6]	9.78%
Alibaba Group Holding Limited[4]	Interest in controlled corporations	165,212,457[6]	9.78%
TAL Education Group[5]	Beneficial owner	144,466,006[6]	8.56%
Bright Unison Limited[5]	Interest in controlled corporations	144,466,006[6]	8.56%
Mr. ZHANG Bangxin[5]	Interest in controlled corporations	144,466,006[6]	8.56%

Notes:

(1) Ms. TANG Yu is the spouse of Mr. WANG Huainan. By virtue of the SFO, Ms. TANG Yu is deemed to be interested in the Shares in which Mr. WANG Huainan is deemed to be interested.

(2) Wang Family Limited Partnership was set up by Mr. WANG Huainan and his wife (Ms. TANG Yu). Wang Family Limited Partnership is owned by Golden Leaf Cayman Holdings Limited (general partner of Wang Family Limited Partnership) as to 0.01%, Golden Leaf Holdings Limited (sole shareholder of Golden Leaf Cayman Holdings Limited) as to 30%, and Mr. WANG Huainan in the capacity of trustee of Allen Wang Grantor Retained Annuity Trust (a limited partner of Wang Family Limited Partnership) as to 39.99%. Mr. WANG Huainan is the sole shareholder of Golden Leaf Holdings Limited and founder of Allen Wang Grantor Retained Annuity Trust. Accordingly, each of Mr. WANG Huainan, Golden Leaf Holdings Limited and Golden Leaf Cayman Holdings Limited is deemed to be interested in the Shares held by Wang Family Limited Partnership under the SFO.

(3) Each of Fosun Health Holdings Limited (as the sole shareholder of Startree (BVI) Limited) and Fosun International Limited (as the sole shareholder of Fosun Health Holdings Limited, a company listed on the main board of the Stock Exchange, stock code: 0656), Fosun Holdings Limited (controlling shareholder of Fosun International Limited as to 72.03% as at December 31, 2018) and Fosun International Holdings Ltd. (beneficial owner of all the issued shares in Fosun Holdings Limited) and Mr. GUO Guangchang (郭廣昌) (controlling shareholder of Fosun International Holdings Ltd. as to 64.45% as at December 31, 2018) is deemed to be interested in the Shares held by Startree (BVI) Limited under the SFO.

(4) Each of Taobao Holding Limited (the sole shareholder of Taobao China Holding Limited) and Alibaba Group Holding Limited (a company listed on the New York Stock Exchange, ticker symbol: BABA, the sole shareholder of Taobao Holding Limited) is deemed to be interested in the Shares held by Taobao China Holding Limited under the SFO.

(5) TAL Education Group is a company listed on the New York Stock Exchange (ticker symbol: TAL). Each of Bright Unison Limited (largest shareholder of TAL Education Group as to 31.0% with in aggregate voting power as to 71.20% as at December 31, 2018) and Mr. ZHANG Bangxin (張邦鑫) (sole shareholder of Bright Unison Limited) is deemed to be interested in the Shares held by TAL Education Group under the SFO.

(6) All the Shares are held in long position.

(7) As at December 31, 2018, the total number of issued Shares of the Company was 1,688,488,109.

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, 2018.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association, although there are no restrictions against such rights under the laws in the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders of the Company.

TAX RELIEF AND EXEMPTION

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

EMOLUMENT POLICY

The Directors believe that the ability to attract, motivate and retain skilled and experienced personnel is of significant importance to the longterm successful development of the Group. The remuneration package for our employees generally includes salary and bonuses. We determine employee remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits. The Group has established a Remuneration Committee to review the policy and structure of the remuneration for the Directors and senior management and make recommendations on the remuneration packages of individual executive Directors and senior management. In general, the Group determines the emolument payable to its Directors based on each Director's qualifications, experience, time commitment and responsibilities, salaries paid by comparable companies as well as the performance of the Group.

EMPLOYEE BENEFITS

Particulars of the employee benefits of the Group are set out in note 31 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the senior management by band for the year ended December 31, 2018 is set out below:

Remuneration band	**Number of individual**
Nil to HK$1,000,000	2
HK$1,000,000 to HK$2,000,000	4
Total	6

PUBLIC FLOAT

As at the Latest Practicable Date and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained minimum public float of 25% as required under the Listing Rules.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

At no time during the year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group in 2018.

In order to eliminate any future competition with us, Mr. WANG Huainan undertook to us on November 6, 2018 that, so long as he remains as our largest Shareholder of the Company, he will not, and will procure all companies he controls not to engage in or develop any business competing or potentially competing with our main business or key products, including investment in, mergers and acquisitions of any companies, entities or economic organizations engaged in the same or similar core business or primarily manufacturing the same or similar products. In addition, he acknowledged that the Group shall have priority to develop any new business in the future, and he will not, and will procure any companies controlled by him not to develop such new business.

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. Subject to the Companies Law (2013 Revision) of the Cayman Islands, if any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability. Such provisions were in force throughout the year ended December 31, 2018 and are currently in force. The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors.

CONNECTED TRANSACTIONS

Continuing Connected Transaction

As disclosed in the Prospectus, the following transactions of the Group constituted non-exempt continuing connected transactions (the "**Continuing Connected Transactions**") for the Group for the year ended December 31, 2018. Please also see the section headed "Contractual Arrangemnets" in the Prospectus for further details.

Non-exempt Continuing Connected Transactions

We set out below a summary of the continuing connected transactions for our Group, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements

BabyTree Information has entered into a series of contractual arrangements (the "**Contractual Arrangements**") with Zhongming and the Registered Shareholders of Zhongming, under which the Company gained effective control over, and received all the economic benefits generated by the business currently operated by the Consolidated Affiliated Entity. The Contractual Arrangements allow the financial results of the Consolidated Affiliated Entity to be consolidated and accounted for as if they were subsidiaries of our Company.

Reasons for the Contractual Arrangements

We are engaged in the provision of Internet content services (the "**Relevant Businesses**") in the PRC, which is considered value-added telecommunication services, a sector where foreign investment is subject to restrictions under the PRC laws and regulations.

Our Consolidated Affiliated Entity is Zhongming, a company established under the laws of the PRC, which holds the requisite license, permit and approval required for the provision of Internet content services through our mobile apps and websites in the PRC, including the ICP license, which are essential to the operation of our business. For further details of the limitations on foreign ownership in PRC companies conducting value-added telecommunications services and the licensing and approval requirement applicable to our business under the PRC laws and regulations, see section headed "Regulatory Overview—Laws and Regulations in Relation to Foreign Investments in the Value-added Telecommunications Industry" in the Prospectus.

Since the Relevant Businesses are classified as foreign investment restricted businesses under applicable PRC laws, regulations or rules and there is no clear guidance or interpretation of any applicable qualification requirements, in order to comply with PRC laws and regulations and maintain effective control over our Internet content service operations, our Group entered into the Contractual Arrangements with Zhongming and the Registered Shareholders. Under the Contractual Arrangements, BabyTree Information has acquired effective control over the financial and operational management and results of Zhongming and is entitled to all the economic benefits derived from the operations of Zhongming. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefits from Zhongming in consideration for the services provided by BabyTree Information to Zhongming under the Exclusive Business Cooperation Agreement; (ii) exercise effective control over Zhongming to conduct the relevant business; and (iii) hold an exclusive option to purchase all or any part of equity interests in Zhongming and/or assets or interests in any of the assets of Zhongming.

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group in the ordinary and usual course of our Group's business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole.

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 84 to 90 of the Prospectus.

- If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences and the relinquishment of our interests in the Consolidated Affiliated Entity.
- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and our Consolidated Affiliated Entity or its shareholders may fail to perform their obligations under our Contractual Arrangements.
- We may lose the ability to use the permits and licenses held by Zhongming that are important to the operation of our business if Zhongming declares bankruptcy or become subject to a dissolution or liquidation proceeding.
- Shareholders of Zhongming may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.
- We conduct relevant business operation in the PRC through our Consolidated Affiliated Entity by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.
- If we exercise the option to acquire equity ownership of our Consolidated Affiliated Entity, the ownership transfer may subject us to certain limitations and substantial costs.
- Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

We face uncertainties with respect to the implementation of the FIL and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the National People's Congress approved the FIL, which will take effect on January 1, 2020 and replace the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Foreign Owned Enterprise Law (《外資企業法》), together with their implementation rules and ancillary regulations, to become the legal foundation for foreign investment in the PRC. The FIL embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. Under the FIL, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. The FIL stipulates three forms of foreign investment, and does not explicitly stipulate contractual arrangements as a form of foreign investment. However, it has a catch-all provision under definition of "foreign investment" to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it would be uncertain as to whether foreign investment via contractual arrangements would be deemed to be in violation of the foreign investment access requirements and how the above-mentioned contractual arrangements would be regulated. There is no guarantee that the contractual arrangements and our business will not be materially and adversely affected in the future due to changes in PRC laws and regulations. If future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be completed by companies with existing contractual arrangements, we may face substantial uncertainties as to whether such actions can be timely completed, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

Summary of Major Terms of the Contractual Arrangements

The Contractual Arrangements which were in place during the year ended December 31, 2018 and a brief description of the major terms of the structured contracts under the Contractual Arrangements are as follows:

- **Exclusive Option and Equity Entrustment Agreement**

  Zhongming and the Registered Shareholders entered into an exclusive option and equity entrustment agreement with BabyTree Information on May 23, 2018 (the "**Exclusive Option and Equity Entrustment Agreement**"), pursuant to which (i) BabyTree Information, or any third party designated by BabyTree Information (the "**designee**"), was granted an irrevocable and exclusive right to purchase from each of the Registered Shareholders all or any part of their equity interests in Zhongming at a fixed exercise price (the "**Exercise Price**") and/or from Zhongming all or any part of its assets or interests in any of its assets, for a consideration with reference to the total or relevant portion of the Exercise Price, and (ii) the Registered Shareholders irrevocably and exclusively entrusted their equity interest in Zhongming to BabyTree Information or the designee. Pursuant to the Exclusive Option and Equity Entrustment Agreement, the Registered Shareholders shall return any amount of purchase price exceeding the Exercise Price they have received to BabyTree Information. At BabyTree Information's request, the Registered Shareholders and/or Zhongming will promptly and unconditionally transfer their respective equity interest in and/or assets of Zhongming to BabyTree Information (or its designee) after BabyTree Information exercises its purchase right. The Exclusive Option and Equity Entrustment Agreement will remain effective until the purchase right thereunder is exercised.

- **Exclusive Business Cooperation Agreement**

  Zhongming and the Registered Shareholders entered into an exclusive business cooperation agreement with BabyTree Information on May 23, 2018 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which Zhongming agreed to engage BabyTree Information as its exclusive provider of management, consultancy, technical support, business support and equipment services. Under these arrangements, the service fees, subject to BabyTree Information's adjustment, shall consist of all of the profit before taxes of Zhongming. BabyTree Information may adjust the service fees at its sole discretion, taking into consideration certain factors, including but not limited to the deduction of operating costs, expenses and other statutory contribution in relation to the respective fiscal year. The service fees shall be paid annually by Zhongming upon receipt of invoice issued by BabyTree Information.

  Pursuant to the Exclusive Business Cooperation Agreement, BabyTree Information has the exclusive and proprietary rights to all intellectual properties developed by Zhongming and enjoys all the economic benefits generated from such intellectual properties, which will not be affected by the amendment, rescission or termination of the Exclusive Business Cooperation Agreement.

  The Exclusive Business Cooperation Agreement shall remain effective until (i) BabyTree Information exercises its exclusive option to purchase the entire equity interests of the Registered Shareholders in Zhongming and/or the entire assets of Zhongming pursuant to the terms of the Exclusive Option and Equity Entrustment Agreement; or (ii) termination unilaterally made by BabyTree Information upon presentation of written notice 30 days in advance.

- **Share Pledge Agreement**

  Zhongming, the Registered Shareholders and BabyTree Information entered into a share pledge agreement on May 23, 2018 (the "**Share Pledge Agreement**"), pursuant to which, the Registered Shareholders pledged all of their respective equity interests in Zhongming to BabyTree Information as collateral security to guarantee performance of their contractual obligations under the Exclusive Option and Equity Entrustment Agreement, the Exclusive Business Cooperation Agreement and the Powers of Attorney (as defined below).

  The pledge in respect of shares of Zhongming takes effect upon completion of registration with the relevant administrative authorities, and shall be recorded on the register of shareholders and capital contribution certificate of the Registered Shareholders. If any of the items filed with the authorities under the Share Pledge Agreement shall be amended or updated, Zhongming shall amend such items within 10 days upon the relevant events occur. Should an event of default (as provided in the Share Pledge Agreement) occurs, unless it is successfully resolved to BabyTree Information's satisfaction within 10 days upon being notified by BabyTree Information, BabyTree Information by issuing written notification may exercise its right of pledge immediately or any time thereafter pursuant to the Share Pledge Agreement. The Registered Shareholders have agreed to irrevocably waive their pre-emptive right as existing shareholders when BabyTree Information exercises such right of pledge.

  The Share Pledge Agreement will not terminate until (i) all obligations of Zhongming and the Registered Shareholders are satisfied in full; or (ii) BabyTree Information exercises its exclusive option to purchase the entire equity interests of the Registered Shareholders in Zhongming and/or the entire assets of Zhongming pursuant to the terms of the Exclusive Option and Equity Entrustment Agreement.

  The pledges under the Share Pledge Agreement have been duly registered with the relevant PRC legal authority pursuant to PRC laws and regulations.

- **Powers of Attorney**

  An irrevocable power of attorney was entered into between each of the Registered Shareholders and BabyTree Information on May 23, 2018 (the "**Powers of Attorney**"), pursuant to which each of the Registered Shareholders appointed BabyTree Information and/or its designated persons as his/its exclusive agent and attorney to act on his/its behalf on all matters concerning Zhongming and to exercise all of his/its rights as shareholder of Zhongming.

  As a result of the Powers of Attorney, the Company, through BabyTree Information, is able to exercise management control over the activities that most significantly impact the economic performance of Zhongming. The Powers of Attorney will be automatically terminated on the earlier of (i) the date the Registered Shareholder ceases to be the shareholder of Zhongming and (ii) the expiry date of operating period of Zhongming. In addition, the Registered Shareholders and BabyTree Information undertake to terminate the Powers of Attorney once BabyTree Information is allowed to directly hold equity interests in Zhongming and operate the relevant business once permitted under the then PRC laws.

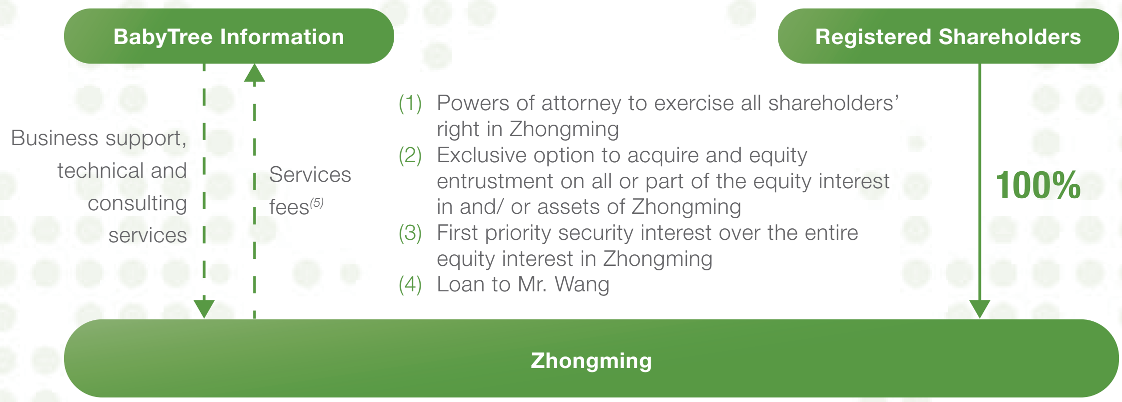
- **Spousal Undertakings**

  The spouse of each of Mr. WANG Huainan, Mr. WANG Changying, Mr. WANG Yawei and Mr. SHAO Zhenping executed an irrevocable undertaking on May 23, 2018, pursuant to which each of them expressly, unconditionally and irrevocably acknowledged and has undertaken that (i) any equity interests held by their respective spouse as a Registered Shareholder in Zhongming do not fall within the scope of their communal properties; (ii) each of them will not take any measures that are in conflict with the Contractual Arrangements, including any claims on the interests through legal proceedings; and (iii) each of them will take any necessary measures to procure the execution of the Contractual Arrangements.

- **Loan Agreement**

  BabyTree Information and Mr. WANG Huainan entered into a loan agreement on May 23, 2018 (the "**Loan Agreement**"), pursuant to which BabyTree Information provided Mr. Wang a loan in principal amount of RMB2,718,538,767.2 (the "**Principal Amount**") to acquire the equity interests in Zhongming held by its then shareholders other than Ningbo Zhishan, Ningbo Baoshu, Ningbo Honghu, Ningbo Yimengweima and himself for the purpose of further stabilizing the corporate structure under the Contractual Arrangements. As of the Latest Practicable Date, Mr. Wang has fully utilized the amount of the loan, among which an aggregate of RMB63,393,845.6 was paid to Mr. WANG Yawei, Mr. WANG Changying, Mr. SHAO Zhenping and Beijing Lujin as advanced payment for their respective equity interests in Zhongmingand the remaining RMB2,655,144,921.6 was paid to other existing shareholders to purchase their respective equity interests in Zhongming. See "History, Reorganization and Corporate Structure—Pre-IPO Reorganization" in the Prospectus. The loan to Mr. Wang is treated as deemed investment to Zhongming, and was used to purchase its shares from the other shareholders for the purpose of stabilizing the Group's corporate structure under the Contractual Arrangements, and was eliminated with the total equity of Zhongming when the consolidated financial statements of the Group was prepared. All the equity interests in Zhongming held and to be acquired by Mr. Wang (the "**Acquired Interests**") will be pledged to BabyTree Information. Mr. Wang will not need to repay the loan, unless BabyTree Information (or its assignee) acquires all the Acquired Interests under the condition that such acquisition is allowed under the then PRC laws and regulations. The consideration for the Acquired Interests payable by BabyTree Information equals the Principal Amount and will be offset by the repayment by Mr. Wang under the Loan Agreement.

The following simplified diagram illustrates the flow of economic benefits from Zhongming and its subsidiaries to our Group stipulated under the Contractual Arrangements:



Apart from the above, there are no other new contractual arrangements entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entity during the financial year ended December 31, 2018. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2018.

For the year ended December 31, 2018, none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

We have been advised by our PRC Legal Advisors that the Contractual Arrangements do not violate the relevant PRC regulations.

Revenue of Zhongming and its subsidiaries but excluding operations held by BabyTree Information and Meitun Mama for the year ended December 31, 2018 was RMB618.5 million, representing approximately 81.4% of the revernue for the year of the Group.

As of December 31, 2018, total assets held by Zhongming but excluding the intragroup loan (the "**Intragroup Loan**") from Zhongming to BabyTree Information was RMB1,327.5 million, representing approximately 36.3% of the total assets of the Group. Please see page 133 of the Prospectus for details of the Intragroup Loan.

1 Notes:

(1) Please refer to "Powers of Attorney" for details.

(2) Please refer to "Exclusive Option and Equity Entrustment Agreement" for details.

(3) Please refer to "Share Pledge Agreement" for details.

(4) Please refer to "Loan Agreement" for details.

(5) Please refer to "Exclusive Business Cooperation Agreement" for details.

"→" denotes direct legal and beneficial ownership in the equity interest and "－－→" denotes contractual relationship.

Mitigation Actions taken by the Company

Our management works closely with our executive Directors and our external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

The Extent to which the Contractual Arrangements relate to Requirements other than the Foreign Ownership Restriction

All of the Contractual Arrangements are subject to the restrictions as set out on pages 259 to 280 of the Prospectus.

Listing Rule Implications

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waiver from the Stock Exchange

The Stock Exchange has granted the Company a waiver pursuant to Rule 14A.105 of the Listing Rules from (i) strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap for the fees payable to BabyTree Inforation from Zhongming under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less, for so long as the Shares are listed on the Stock Exchange subject to the following conditions:

a) no change without independent non-executive Directors' approval;

b) no change without independent Shareholders' approval;

c) the Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entity;

d) the Contractual Arrangements may be renewed and/or reproduced upon expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining Shareholders' approval, on substantially the same terms and conditions as the Contractual Arrangements; and

e) our Group will disclose details relating to the Contractual Arrangements on an ongoing basis.

Confirmation from Independent Non-executive Directors

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during the year ended December 31, 2018 had been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended December 31, 2018, (iii) no new contracts had been entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entity during the year ended December 31, 2018, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the relevant agreement governing the Contractual Arrangements on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Confirmations from the Company's Independent Auditor

The Auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended December 31, 2018:

a) nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Board; and

b) nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connectedtransactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions.

c) nothing has come to their attention that causes the Auditor to believe that any dividends or other distributions have been made by Zhongming to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

During the year ended December 31, 2018, no related party transactions disclosed in note 31 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(2) and 13.51B(1) of the Listing Rules, up to the Latest Practicable Date, the changes in information of Directors of the Company are set out below:

1) Mr. SHAO Yibo tendered his resignation as a non-executive Director, effective from March 7, 2019, to pursue other commitments and, as a result of such resignation, ceased to be a member of the Audit Committee; and Mr. LUO Rong tendered his resignation as a non-executive Director, effective from March 7, 2019, to pursue other commitments.

2) Mr. MA Jiangwei was appointed by the Board as an non-executive Director effective from March 7, 2019.

3) Mr. De-chao Michael YU was appointed as a member of the Audit Committee effective from March 7, 2019.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Thursday, June 13, 2019. A notice convening the AGM and all other relevant documents will be published and dispatched to the Shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed from Thursday, June 6, 2019 to Thursday, June 13, 2019, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, June 5, 2019.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 27 to 44 of this annual report.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and policies adopted by the Group and discussed the Group's risk management, internal controls and financial reporting matters with the management. The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2018.

AUDITOR

The financial statements for the year ended December 31, 2018 have been audited by KPMG who shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution will be proposed at the forthcoming AGM to re-appoint KPMG as the auditor of the Company.

Save as otherwise stated, all references above to other sections, reports or notes in this annual report form part of this Directors' Report.

On behalf of the Board
WANG Huainan
Chairman

March 27, 2019

§1 REPORT ON ESG

This report is the first Environmental, Social and Governance ("ESG") Report released by BabyTree Group. This report focuses on the Company's efforts and contributions to the environment, society and governance, as well as our outlook for the future. We hope that through the publication of this report, we will strengthen communication and liaison with our stakeholders.

The Board of Directors and all the Directors hereby warrant that the contents of this report do not contain any false representations, misleading statements or material omissions and take joint and several liabilities for the authenticity, accuracy and completeness of the contents.

Business Description

The Company's continuing operations are mainly two platforms, i.e. Babytree Parenting and WeTime. Babytree Parenting platform, an online platform for expecting parents and young parents in China to communicate with each other and find the best pregnancy and parenting advice, comprises Babytree Parenting mobile app and babytree.com. WeTime platform focuses on child development, providing social recording medium and early education content and tools. In addition, the Company conducts business through Meitun Mama, an M&C product-focused e-commerce platform.

Reference Remarks

In order to facilitate the presentation and be easy to read, "BabyTree Group" in this report is referred to as "BabyTree", the "Company" and "We".

Reporting Period

The Company's "Environmental, Social and Governance Report" is an annual report for the period from 1 January 2018 to 31 December 2018.

Compiling Basis

The contents of this report are prepared in the light of the requirements of Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Access to this Report

You can download the Chinese and English version of this report on the website of the the Stock Exchange at http://www.hkexnews.hk. This report is published in both Chinese and English. In case of any discrepancies among the different versions, the Chinese version shall prevail.

§ 2 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY CONCEPTS AND MANAGEMENT

The Company mainly engages in the operation of maternity and child-focused community platforms, which is committed to connecting and serving young families, so that young families can enjoy a wonderful life journey. "Kind-hearted, Honest, Economical and Joyful Win (善愛信行，眾省趣贏)" are the Company's core values. The Company strives to build an internet-oriented platform but not rigidly sticking to the internet for the satisfaction of needs of young Chinese families to learn, communicate, record and shop. It is the Company's basic social responsibility to enable young Chinese parents to cultivate healthy, friendly, intelligent and brave next generation through sharing and communication.

While paying attention to economic benefits, the Company identifies environmental and social impacts in the operation process, respects the interests of internal and external stakeholders, and adopts positive response measures in these processes in order to achieve harmonious coexistence between Company operations and society and the environment.

§ 3 MATERIALITY ASSESSMENT

§ 3.1 Materiality Assessment Procedures

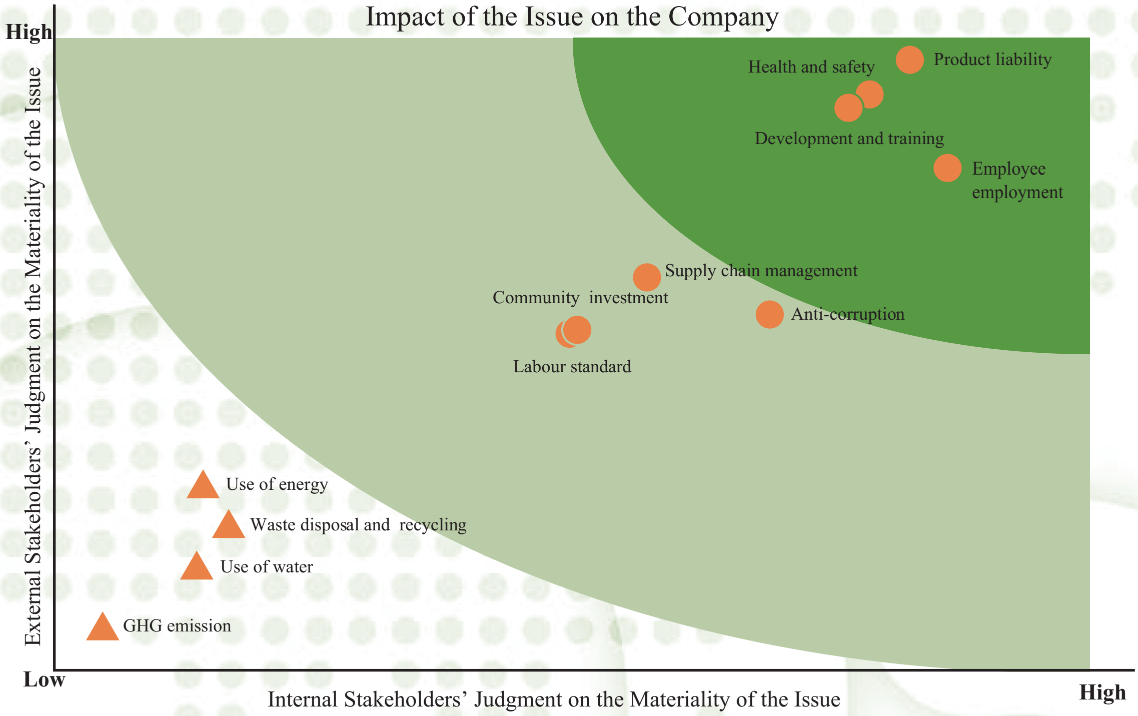
1) ESG issues related to the Company are identified by analysing the HKEx ESG Reporting Guide and peer disclosure issues;

2) Key stakeholders are invited to assess the materiality of the identified issues. Internal stakeholders mainly consider the Company's long-term development strategy, management improvement, investment urgency and competitive advantage. External stakeholders mainly consider the degree of influence on the Company's evaluation and decision-making and the impact on the external stakeholders' interests; integrate the evaluation of internal and external stakeholders to form the first draft of the materiality matrix;

3) Ranking of the materiality of the Company's management approval issues;

4) After the reporting period, the Company will organize internal and external stakeholders to give feedback on the contents of this report to prepare for the next report.

§ 3.2 Issue Materiality Matrix



§ 4 ENVIRONMENT AND RESOURCES

§ 4.1 Emission Management

The Company values good environmental management. The Company is an internet company, hence its operations have little impact on the environment. The Company strictly abides by the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and related laws and regulations to proactively protect the environment.

Type of emissions	Detail indicator (Unit)	Amount in 2018
Waste gas emission	Sulfur dioxide emissions (ton)	0.09
	NO_x emissions (ton)	12.94
	Soot emissions (ton)	1.26
Greenhouse gas emission	Total greenhouse gas emission (tCO_{2e})	361.43
	Direct greenhouse gas emission (tCO_{2e})	6.05
	Indirect greenhouse gas emission (tCO_{2e})	355.38
	Intensity of greenhouse gas emission (tCO_{2e}/person)	0.40
Waste generation	Total hazardous waste generation (kg)	231
	Fluorescent tube (kg)	206
	Battery(kg)	25
	Intensity of hazardous waste generation (kg/person)	0.26
	Total non-hazardous waste generation (kg)	37,720
	Total domestic garbage generation (kg)	37,720
	Intensity of non-hazardous waste generation (kg/person)	41.77

The Company encourages employees to travel by public transport. When the destination of a business trip is within 1 km (inclusive) from the bus stop/subway station with carrying item no exceeding 2.5 kg (inclusive), public transport and shared bicycles should be used to reduce waste gas emissions and greenhouse gas emissions.

For hazardous waste such as batteries, the Company requires employees to return used batteries when receiving new batteries, and contacts a professional recycling company for centralized recycling. The Company's printers are procured by way of financing leases, and the consumables include toner cartridges, which are recycled by the respective suppliers, who regularly arrange special after-sales engineers to collect the goods on time and recycle them for reuse.

The Company has posted energy-saving and emission-reduction reminders around the office area, and requires employees to swipe their cards through the printer. It is recommended to use two-sided printing and secondary paper. The useless paper is uniformly collected by the front desk for invoices-posting purpose.

In 2018, the Company did not have any major violations of environmental protection related standards, rules and regulations.

§4.2 Use of Energy and Resource

BabyTree attaches great importance to the conservation and use of natural resources, and strictly abides by relevant laws and regulations such as the Water Law of the People's Republic of China (《中華人民共和國水法》) and the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》). Due to the nature of the business, our operations consume less resources than other manufacturing companies. The main resources we consume are electricity and water.

Use of resources of the Company during the reporting period is as follows:

Type of resources consumption	Detail indicator (Unit)	Data in 2018
Energy consumption	Total power consumption in the office area (kWh)	582,492.00
	Intensity of power consumption in the office area (kWh/square meter)	58.09
	Gasoline fuel consumption(ton)	1.78
	Natural gas consumption (standard cube)	317.00
	Comprehensive energy consumption (kWh)	607,233.27
	Intensity of comprehensive energy consumption (kWh/person)	672.46

In terms of electricity conservation, the Company timely replaced old and energy-intensive equipment and facilities; the cooling temperature of heating and air conditioning at building was 18 degrees centigrade in winter and 26 degrees centigrade in summer. The Company prompts employees to cut off electricity after work, turn off the power of the computer as well as the lighting; the administrative department will shut down the air-conditioning at 6 p.m. every working day.

Since the water consumption and wastewater discharged from the office of the Company are managed by the building, it is impossible to separate the water consumption and sewage discharge of the Company, and due to environmental issues such as "use of water" and "waste disposal and recycling" as well as unimportant issues for the Company, the Company chooses not to disclose such indicators as the total water consumption, total water consumption intensity and wastewater discharge. In 2018, the Company did not have any problems in obtaining the applicable water source. Due to the nature of the Company's business, the Company has no material impact on the environment and natural resources.

§5 EMPLOYEE CARE

§5.1 Employee Employment

Employees are the core competitiveness of the Company. The Company's human resources management objectives are to build a sound career development platform for employees, to encourage employees to maximize their potential and to achieve a benign circle of personal value and corporate development, so as to enable the Company to implement its strategy and become the most trusted partner of all.

The Company strictly abided by the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), Law of the People's Republic of China on the Protection of Women's Rights and Interests (《中華人民共和國婦女權益保障法》) and other laws and regulations, and formulated and improved systems relating to human resources of the Company, such as the Training Management System (《培訓管理體系》), Training Management Measures (《培訓管理辦法》), Key Position Management System (《關鍵崗位管理制度》), Promotion Management System (《晉升管理制度》), Resignation Management Measures (excluding Senior Management) (《離職管理辦法(不含高管)》), Administrative Measures for Resignation of Senior Management (《高管離職管理辦法》), Personnel Employment and Termination Management System (《人事僱傭與終止管理制度》), the Compensation and Welfare Management Measures (《薪酬福利管理辦法》), and the Staff Attendance and Vacation Management System (《員工考勤休假管理制度》) with the consideration of the actual condition of the Company.

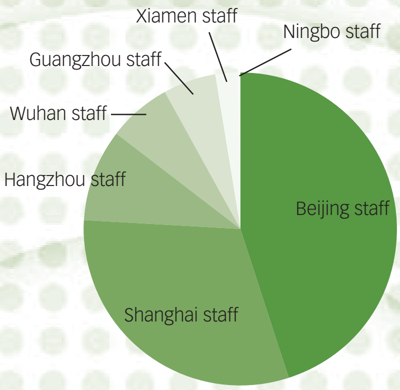
§5.1.1 Equal employment

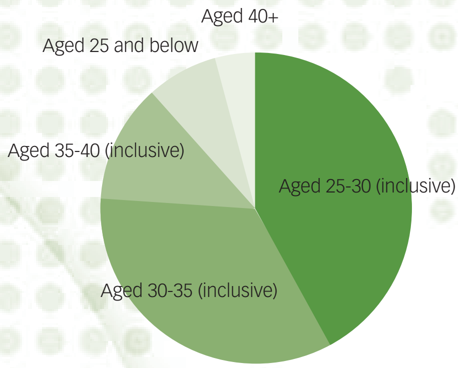
The Company's basic principles of employee employment are open recruitment, equal competition, strict assessment, and merit-based admission. The rights of employees are equal without discrimination. The Company's policies and codes are tailored to national laws and there is no discriminatory content.

The Company's in-service staff includes formal employees, contract workers and interns. The Company signs labour contracts, labour agreements and internship agreements within the specified time. In order to prevent the employment of child labour, employees are required to carry personal identification documents when induction, and they must be at the statutory working age.

The Company treats the national, ethnic, social class, gender, region, political affiliation of the recruits equally; the Company implements equality between men and women, equal pay for equal work, does not refuse to hire or raise the employment standards of women, and the Company currently has no jobs or positions that are not suitable for women; after the disabled employees have undergone the recruitment process, such as medical examinations and interviews, the qualified personnel have been accepted. The Company has a total of 19 disabled employees. The Company has freedom of religious belief, does not oblige or discriminate against employees' religious beliefs or religion, and protects normal religious activities. Meanwhile, the Company set up a special complaint mailbox (hrSSC@babytree-inc.com) for employees to appeal.

The Company has a total of 903 employees at present, including 873 labour contract employees and 30 labour contract workers. There are 386 male employees and 517 female employees, accounting for 42.7% and 57.3% of the total, respectively.





During the reporting period, there were no work-related fatality and work-related death ratio was nil.

In 2018, the Company did not have any violations of employment and labour laws and regulations that have a significant impact on the Company.

§5.1.2 Compensation and welfare

In terms of remuneration package, the Company adopts diversified salary composition systems including basic salary, performance salary, floating salary and annual salary according to different positions and business types.

The human resources department takes the lead in organizing and cooperating with each department to conduct job evaluation, and the salary standards and package of employees in different positions are assessed and paid based on such factors as skill level, actual work experience, education background, comprehensive quality, duties, rights and responsibilities, labour intensity and work environment. The Company conducts industry benchmarking and adjustment of compensation based on industry prices and market conditions on an annual basis.

In terms of welfare, the Company cares about the health and personal safety of employees by offering supplementary medical insurance and accident insurance for employees to protect their lives, meanwhile the Company cares for the children of employees by offering supplementary medical insurance for their children. The Company has also set up day-care for employees at Beijing office. During the work, employees can send their children in the day-care centre for professional nurses' care, greatly alleviating the worries of employees at work. In addition, the Company keeps pet cats and dogs, creating a relaxed working atmosphere.

In terms of the number of working hours, the Company implements the standard working hour system and strictly carries out overtime pay and overtime shifts in accordance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Regulations on the Annual Leave of Employees (《職工帶薪年休假條例》) and the Measures for the Implementation of Paid Annual Leave for Enterprise Employees (《企業職工帶薪年休假實施辦法》) to avoid forced labour. For working hours, employees are offered flexibility for a certain period of time, which means, if the overtime hours are longer on the working day, employees can arrive late on the second working day.

The Company strives to create a sound, equal and comfortable working environment for female employees: the Company provides monthly leave for female employees and nursing rooms for employees who are in nursing period.

§5.2 Employee Health and Safety

Employees may face potential occupational hazards during their work, such as cervical spondylosis, lumbar spondylosis, chronic fatigue syndrome and dry eye syndrome. The Company has established the Employee Health and Safety Management System (《員工健康與安全管理制度》) in accordance with the Safety Production Law of the People's Republic of China (《中華人民共和國安全生產法》) and in consideration of the actual situation of the Company to ensure the personal health and safety of employees. Specific measures include:

1. The Company offers physical examination for employees once every year, and the medical examination package can be selected by the employee according to his or her own situation;

2. The Company offers supplementary medical insurance to employees to ensure employees' medical treatment can be reimbursed in time, and has placed a fixed-point claim box at the Company;

3. The Company has a small medicine box in the office area, including non-prescription drugs such as cold medicine, antipyretic medicine, band-aids, electronic thermometer, etc., to facilitate treatment and relief when employees are unwell;

4. The Company regularly holds Chinese medicine consultation activities. The Chinese medicine consultation includes physical therapy and electrotherapy, scraping, skin care, shoulder and neck massage, etc.

5. The Company regularly invites dental care experts to provide free on-site medical treatment for employees, and provides relevant preferential activities. Relevant benefits are only for the employees of the Company;

6. Treadmills and other fitness facilities are placed inside the Company's office area;

7. The Company regularly organizes basketball games, table tennis matches and other activities. The entertainment is also to increase the opportunities for employees to exercise and enhance their physical fitness.

§5.3 Employee Development and Training

Employee Promotion

The Company adopts a promotion mechanism which integrates level-by-level promotion with frog-leaping promotion, and vertical promotion with cross-department promotion. Our assessment basis mainly includes performance, competency and potentials.

With great importance attached to the direction of employee career development, the Company has designated two promotion paths including M model (managerial talents) and P model (professional talents) for employees by considering their merits, strengths, and preference.

Managerial talents are able to make proper plans and influence, supervise, lead and organize their team members to achieve the targets under the circumstance of asymmetric information, and they are accountable to team management and the operating results; professional talents can well collect and analyze information, cases and experience and explore the rules, and summarize corresponding theory to give play to their high-end knowledge system in a particular professional sector within the corporate organization.

In the future, the Company intends to first introduce a professional post assessment mechanism to sort out and designate posts based on market and industry conditions, and then import professional managerial courses to help talents with their improvement and development.

Employee Training

In respect of employee training management, the Company aims to achieve sharing of resources in knowledge, skills and best solutions to problems, overall improvement in skills and establishment of a learning-type corporate organization.

The Company has developed a sound Training Management Policy (《培訓管理制度》), which contains explicit training duties on the part of the human resources center, all department heads, the management and professionals. The training course system set by the Company includes orientation training for new employees, training on general capability, training on professional skills and training on management ability.

The Company organizes 2-3 management-type trainings annually by introducing external courses to improve the leadership of the management team; organizes 3-4 general trainings annually mainly through in-house sharing to raise the comprehensive quality of employees; organizes 1-2 professional training(s) quarterly by in-house sharing and exchanges with external parties at the same time to promote the professional ability enhancement for employees; and organizes 1-2 orientation training(s) monthly via internal lectures to help new employees get familiar with the Company's business, culture, system and procedures and grasp working methods.

In October 2018, the Company conducted a training on consultative sales for its sales staff, aiming to help them learn how to explore customer needs, promote and introduce products and services, cope with customer's objections during the sales course, thereby improving the professional ability of the sales team. Such training received favorable feedback from the business department as it well helped sales staff improve their professional ability.

For future training management, the Company plans to add different types of courses targeting the management, professional skills, general capability and new employees, such as the Target and Plan Management (《目標與計劃管理》) for the management, the Sharing from Industry Experts (《行業大咖分享》) for professionals, and the Training on Office Software Skills (《辦公軟件技能培訓》) for all employees, etc.

§6 PRODUCT RESPONSIBILITY

§6.1 Establishment of an Outstanding Maternity and Child (M&C) Community

BabyTree is committed to establishing a high-quality internet entry for young families in the PRC and developing a membership club with the core of consumption upgrade of young families, to accurately address the needs of mothers and young families in the PRC for knowledge acquisition, exchanges and friend-making, growth recording, as well as consumption and shopping, thereby enabling mothers to better enjoy their lifestyle during their child-bearing period.

Knowledge acquisition is an important need of mothers. BabyTree provides users with stage knowledge by way of daily knowledge; universality knowledge by way of special topics and research institute; and personalized knowledge by forum exchanges, replies from experts, etc.

In addition, for exchanges and friend-making, the Company offers diverse exchange groups, such as same-age group, hospital group, same-city group, etc. to mothers, to bridge their communications; for growth recording, the Company provides corresponding recording tools for recording of each moment of baby's growth; for shopping needs, the Company has operated an e-commerce platform named Meitun Mama to fulfill a full spectrum of shopping needs for mothers.

In August 2018, the Company won the "Most Influential Pregnancy-Infant-Child Communal Platform in PRC E-commerce Sector in 2018" award issued by China Electronic Commerce Association; in December 2018, the Company won the "China Internet Contribution Award for Self-Discipline for 2016 to 2018" issued by the Internet Society of China, the "Innovative Enterprise Award in PRC Financial Year of 2018" issued by the Economy magazine under the Enterprise Management magazine, the "Influential M&C APP" issued by China National Radio, and the "PRC Investor Impression Award for Best H-Share Listed Company for the Year 2018" jointly issued by Alpha Industries and Tiger Brokers.

§6.2 Customer Service and Complaints

The Company has put a designated complaint reporting channel in place, where users can send their feedback through the Company's official hotline, chat page on the Company's website, WeChat account, etc. In addition, a special complaint handling team has also been set up for rendering of complaint handling services from 8:30 a.m. to 9:30 p.m. each day throughout the year. For complaints from a user prior to 4:00 p.m., the Company will contact with such user on the same day; for those after 4:00 p.m., the Company will contact with the user before 12:00 of the following day.

The Company highly values each appeal from each user. We deal with each complaint under the principle of consensus with the user, and will offer more than two proposals for the option of users in respect of even if unreasonable complaints. During the reporting period, the Company cumulatively dealt with 5,639 complaints, which were settled within 4 days on average, and the results thereof were recognized by all users.

The Company develops the self-service return or exchange function for users. In case of after-sale return or exchange need, users can apply for a return or exchange of goods in the app by themselves, which will generally be reviewed by the Company on the same day. Upon approval, users can return the relevant goods to the designated address, and will be refunded immediately after receipt of the goods by the Company.

In 2018, the Company was not aware of any material violation of product and service responsibility regulations.

§6.3 User Satisfaction Improvement

The Company strictly abides by the Network Security Law of the People's Republic of China (《中華人民共和國網絡安全法》), the Interim Provisions on the Administration of Internet Culture (《互聯網文化管理暫行規定》), the Internet Forum Community Services Management Provisions (《互聯網論壇社區服務管理規定》) and other relevant laws and regulations. By centering on user's needs, the Company has set up a research institute for BabyTree's users to continuously tap user's needs and improve defected products through online and offline combination. For online speaking, the Company pushes product satisfaction questionnaire to users on a monthly basis; and for offline speaking, the Company organizes an interview with users on a biweekly basis, including home visit, pregnancy test accompanying, focus group, etc.

The Company improves our e-commerce platform and content monetization on an ongoing basis. Firstly, the Company collects user's needs mainly through questionnaire, user's feedback, the points consulted by users in content monetization, as well as our strong community big data analysis. The system will carry out layered analysis based on the aforesaid data, and improve conversion rate by user's visit path, to provide users with accurate contents and goods in line with their needs. For healthcare products, the Company has a strict quality review standard, seeking cooperation with physicians from Class III Grade A hospitals and Level II or above dieticians in general.

The Company is in strict compliance with the Advertisement Law of the People's Republic of China (《中華人民共和國廣告法》). We update our advertisement sample in each civil year, covering resource types, locations, names, KPI, prices and corresponding screenshot. In 2018, the Company joined hands with our partners to create M&C industry brands, such as the Liam (《童言有忌》) created jointly with Mangguo TV, the Global Treasure Hunting (《全球尋寶》) IP created jointly with Ali content sharing system, W plus project through cooperation with Wyeth, etc.

§6.4 System Stability Assurance

The provision of continuous and reliable services to users is based on a sound system stability. Detailed objectives are as follows: firstly, to improve system stability, optimize system functions, refine available plans at varied levels, and carry out regular switch-over drills, etc.; secondly, to improve system's RTO[1] and RPO[2], perfect system's backup mechanism, conduct regular backup and recovery test, and subdivide code and data; thirdly, to improve system's monitoring and self-recovery at varied levels, and enhance automatic fault handling mechanism, etc.

The Company aims to ensure the interests of users and customers in respect of maintenance of network security, which includes the following: firstly, preventing network attack to ensure system stability; secondly, preventing data leakage to reduce/avoid network fraud for users and customers. In prevention of network attack, the Company strengthens active and passive vulnerability scanning by high-prevention of procurement third parties, independently-developed security protection modules and other measures to gradually mitigate the impact of attack on our services; in prevention of data leakage, the Company avoids the risk of data leakage in different procedures through user's data encryption, data export encryption, re-certification by the management staff, re-certification at merchant's backstage, etc.

§6.5 Intellectual Property Rights Protection

The Company is in strict compliance with the Tort Law of the People's Republic of China (《中華人民共和國侵權責任法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) and other relevant laws and regulations. Currently, the Company owns the intellectual property rights including trademarks, software copyrights, works copyrights, domain names, which are mainly under the systematic management of the Company's legal Department covering application for all types of intellectual property rights, integration and update of the list of intellectual property rights, and daily management of intellectual property rights qualification certificates. In 2018, the Company had 406 new trademarks and 6 new software copyrights.

The terms on protection of intellectual property rights are included in all of the cooperation agreements and user's agreements entered into between the Company and our suppliers, customers, registered merchants and other partners, to protect the intellectual property rights of BabyTree and our partners or third parties involved in the business operations and clarify the ownership of intellectual property rights and protection duties on each party. In case of complaints or reports relating to infringement of intellectual property rights of third parties received during our daily website management, the Company has a special team for handling such complaints or reports by deleting, blocking, disconnecting, terminating transactions or services in connection with the possible infringement of intellectual property rights of third parties to the extent permissible by the laws and regulations.

§6.6 User Privacy Protection

The Company has developed the Management Policy on Information Security of the Company (《公司信息安全管理制度》) with corresponding user's agreements and privacy policy documents in place for all of the websites and APPs under our management to secure user's privacy and ensure its commercial use in a legal and compliance manner, including proper collection, use, sharing and transfer of user's privacy information.

For information collection, we will collect user's privacy information under the privacy policy only when users click the "agree" button in respect of the privacy policy while registering an account with BabyTree; under certain special circumstance where user's personal privacy is subject to collection, the Company will remind once again and notify our users of their information to be collected or used by us, and seek authorization from them again.

For data encryption, all of the fields in the database concerning user's privacy information are under encrypted storage and transmission. These information includes user's name, registration mobile phone number, and the name, mobile phone number, address, email box, ID number of the consignee, etc.

For information desensitization, user's privacy information will be displayed on the platform after desensitization and mosaic processing.

In addition, our information security team is responsible for monthly audit of account numbers and access authorities of business systems, servers and databases, and deleting the account numbers of the resigned and those with improper access authorities. Audit report on access authorities of system accounts is kept on a monthly basis.

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1 RTO (Recovery Time Objective) refers to the length of time allowed by the enterprise for service interruption.

2 RPO (Recovery Point Objective) refers to the time point corresponding to the recovered data after recovery of service.

§7 SUPPLIER MANAGEMENT

In 2018, the Company had office-type, service-type, employee-benefit-type, decoration-type and marketing-type suppliers. We will diversify our supplier types in line with our subsequent business development.

To regulate our supplier management and stabilize supplier team, the Company has developed and implemented the Supplier Management Policy (《供應商管理制度》), striving to forge a long-term and mutual-beneficial supply-demand relationship with suppliers and promote integrity and self-discipline. The Company pays attention to the safety and labour issues while receiving services from suppliers and requires the manufacturing factory suppliers to pass ISO9000 system certification.

For supplier appraisal, the Company pays a return visit to and assesses our suppliers on a regular basis. In regular return visit, the Company's procurement department pays a visit to suppliers on a regular basis to check whether their office address is true, and whether they are qualified to render the service required; in regular assessment, the Company's procurement department organizes the appraisal group and the information security department to assess the suppliers on a quarterly basis in respect of contract performance progress, service quality during the contract period, rate of qualified goods procured and settlement term. Suppliers poorly recognized by each department will be included in the to-be-eliminated list, and may be replaced if there are other better-rated suppliers in the subsequent review. The Company appraises suppliers in terms of prices, delivery, quality, service, management, etc.

§8 ANTI-CORRUPTION

The Company absolutely rejects corrupt or bribery behaviors. We prohibit corrupt or bribery behaviors committed by our employees in accordance with the Anti-corruption Policy (《反腐敗制度》), the Code of Conduct on Integrity and Self-discipline for Employees (《員工廉潔自律守則》) and other policies to make sure they are honest and self-disciplined and firmly reject corrupt behaviors.

In 2018, the Company updated our anti-corruption hotline and whistle-blowing e-mail box, and put up anti-corruption publicizing posters at the office areas nationwide to vigorously advocate the importance of anti-corruption. The Company's procurement center gives a lecture on anti-fraud for department employees on a monthly basis to make positive guidance on employees and help them erect correct attitude. The procurement center makes purchases in accordance with the Company's standardized procedures, the whole process of which is made public and supervised by the information security department. The suppliers are required to sign a Letter of Undertaking from Suppliers (《供應商承諾書》), for restrictions on their behaviors from the prospective of compliance, honest and integrity undertakings, and penetration of anti-corruption efforts from the inside to the outside. The Company will select several suppliers for price comparison, make up a backup plan for large projects, and avoid black box operation during the selection process. All of the newly-registered suppliers will be reviewed by the information security department. Suppliers included in the blacklists of the Trust and Integrity Enterprise Alliance and the PRC Enterprise Anti-fraud Alliance will be eliminated directly with no chance of cooperation.

In addition, where the Company's employee is found in fraud or to have a tendency toward fraud by suppliers, they may make a complaint or reporting on such fraud behavior. Upon confirmed, the Company will raise the rating of such suppliers and increase efforts in cooperation with them.

In our future corruption combating and integrity upholding process, the Company will still stick to the attitude toward absolute rejection and elimination of corrupt behaviors, and vigorously advocate the code of conduct on integrity and self-discipline for employees and the importance thereof on a daily basis to continuously cultivate their awareness of integrity and self-discipline and erect an accurate understanding of anti-corruption work; take preventive measures before the problem happens in respect of all material matters and procedures, and conduct check and sample check on all departments; develop a sound Whistle-blowing Policy (《舉報制度》) to protect, reward or punish the whistle-blowers and ensure the proper implementation of future corruption combating and integrity upholding work by the Company.

In 2018, the number of concluded lawsuit relating to corruption filed against the Company and its employees was zero, and during the reporting period, the Company was not aware of any violation of anti-corruption laws and regulations which had a significant impact.

§9 COMMUNITY INVESTMENT

As a leading platform delivering M&C services in the PRC, BabyTree has been committed to connecting and serving young families under a mission of "empowering young families to enjoy the beautiful voyage of life". In the meantime, M&C industry itself requires full sense of social responsibility and long-term enthusiasm. Fully leveraging on our strength in profound understanding of M&C family groups, BabyTree practices our corporate social responsibilities by actions and pays close attention to the needy M&C family groups, including health issues of poor families, lost children, left-behind children, pregnant women, etc.

Since April 2018, BabyTree has joined the "Care for Health - Charitable Project on Health Poverty Alleviation for Rural Doctors" jointly launched by Fosun Foundation, the Health News and the Population Welfare Foundation under the guidance of the National Health Commission. Through online and offline training, pairing-up with excellent hospitals at the county or provincial level, to improve the professional diagnosis and treatment level of rural doctors and community health management ability; through provision of accident insurance, health insurance and other supplemental assurance measures, to wipe out their worries; through donation of green first-aid, devices and drugs for severe and difficult diseases, to assist rural doctors in diagnosis and treatment of the most difficult cases in their community; through selecting and rewarding outstanding rural doctors, to raise public attention. As at the end of December 2018, the employees dispatched by BabyTree have stayed in Yongsheng County, a national impoverished county in Yunnan, for over 250 days. Currently, they have visited all of the 15 townships in Yongsheng County and 176 rural doctors, and set up basic information files for 109 rural doctors and the village clinics where they are. Since our stationing in Yongsheng County for over eight months, the Health Poverty Alleviation for Rural Doctors Project has covered 447 rural doctors from 150 administrative villages in the whole county, with an aggregate donation of RMB571,227 (including the planned donation amount).

Besides this, in October 2018, BabyTree also signed a pairing-up assistance agreement with Jingergou Village, Yangyuan County, Zhangjiakou, Hebei Province, to connect poverty alleviation resources in education, health and public welfare. In fact, BabyTree has been dedicated to public welfare early from our incorporation, and has been acting at the front line. In 2016, BabyTree officially initiated a charitable platform named “Hundred-year Talent Nurturing” to mainly help “female, infant-baby, and families” as witnessed jointly by and with the involvement of China Centre for Children’ s Welfare and Adoption and other relevant government authorities and charitable institutions. In May 2017, a platform named “Reunion” was connected in BabyTree Parenting app for emergent release of information on lost children recorded in the Public Security Bureau, to assist public security officers in cracking down on abduction and help lost children reunite with their family. In the same year, BabyTree won the PRC M&C Charity Award issued by the All-China Women’s Federation. This award was the top national-level recognition of enterprise’s M&C charitable career as well as an encouragement from the whole society for the 10-year public welfare practices conducted by BabyTree, an enterprise staying true to its original intention.

In the future, BabyTree will continue to attract more public welfare resources as an example in the M&C and family industry to deliver more care and respect, and refine and deepen the implementation of special assistance projects under the “Care for Health - Charitable Project on Health Poverty Alleviation for Rural Doctors” to guide the entire society to achieve the objective of ensuring childcare and the elderly care.

(WANG Huainan, founder and CEO of BabyTree, participated in the launching ceremony for the Care for Health - Charitable Project on Health Poverty Alleviation for Rural Doctors)

(WANG Huainan, founder and CEO of BabyTree, donated poverty alleviation materials to the Hygiene and Family Planning Bureau of Yongsheng County in Yunnan)

(A group of BabyTree conducted a survey on Mofanggou Village in Yongsheng County)

OPINION

We have audited the consolidated financial statements of BabyTree Group (the "Company") and its subsidiaries (together the "Group") set out on pages 92 to 163, which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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, 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

Recognition of revenue from advertising

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(v).

The Key Audit Matter

The Group offers different formats of on-line advertisements such as banners, rectangles, picture-in-picture, text links, images and topics, throughout the Group's Apps or websites. The Group generates revenue when the Group displays the advertisement ("display-based revenue") in the contracted period or when a user carries out a specified action ("performance-based revenue") as stipulated the contract.

Display-based revenue is recognized on a pro-rata basis as the advertisement is displayed in accordance with the terms of the advertising contracts. Performance-based revenue is recognized at the time when a user clicks on the advertisement or when the user views the advertisement for a specific period of time based on the specific terms of the contract.

The Group uses its information technology system ("IT") to track the display or specified actions as specified in related customer contracts.

We identified the recognition of revenue from advertising service as a key audit matter because revenue is one of the key performance indicators of the Group which gives rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet targets or expectations.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of revenue from advertising included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition;
- assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of management's key internal IT controls over the accuracy of revenue recognition of Performance-based advertisements and the scheduling information of Display-based advertisements exported from the scheduling system;
- comparing the scheduling information exported from the scheduling system with the underlying advertising contracts and performing the end-to-end reconciliation controls from the extracted scheduling information to the accounting system;
- comparing revenue transactions recorded during the year, on sample basis, with the underlying advertising contracts and scheduling and the progress of the service or the basis of the recognition of the performance-based revenue to assess if revenue was properly recognised in the appropriate accounting period;
- confirming with customers, on a sample basis, about the contract items related to the service, the scheduling, and the implementation status of the contracts;
- performing regular visit on the web site and Apps, on a sample basis, to assess if the advertisement service existed;

KEY AUDIT MATTERS (Continued)

Recognition of revenue from advertising (Continued)

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(v).

The Key Audit Matter	How the matter was addressed in our audit
	• selecting advertising contracts entered into during the year, on sample basis, and inspecting payments from the contracting parties and underlying payment details to determine if the payer and the contracting party were the same entity; and • inspecting significant manual adjustments to revenue raised during the reporting period, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

Determination of fair value of financial instruments with preferred rights

Refer to Note 27 to the consolidated financial statements and the accounting policies in Note 2(p).

The Key Audit Matter

The Group issued several series of financial instruments with preferred rights during the reorganisation for IPO and the Pre-IPO stage. Upon the completion of the IPO on November 27, 2018, all preferred rights to which the holders of these financial instruments were entitled were terminated and such holders thereafter hold rights pari passu to all other ordinary shareholders.

A fair value gain of the above financial liabilities at fair value through profit or loss of RMB366 million was recorded in the year ended December 31, 2018 (2017: Loss of RMB1,050 million).

The fair value of such a financial instruments with preferred rights is based on valuation model which requires a considerable number of inputs, including discounted cash flow, discount rate and volatility.

We identified assessing the fair value of such financial instruments with preferred rights as a key audit matter because of the degree of complexity involved in valuing these financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation model.

How the matter was addressed in our audit

Our audit procedures to assess the determination of fair value of financial instruments with preferred rights included the following:

- assessing the reliability of management's cash flow forecasting process by comparing the previous year's forecasts with the current year's results, discussing significant variances with management and considering the effect of such variances on the current year's forecasts;
- involving our internal valuation specialists to assist us in evaluating management's valuation methodology with reference to the requirements of the prevailing accounting standards, in assessing the discount rate by comparison with the discount rates for similar companies in the same industry and in assessing volatility by comparison with historical volatilities of comparable companies; and
- obtaining management's sensitivity analysis of such key assumptions, and considering if there was any indication of management bias in the selection of these assumptions.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

The directors 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, 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.

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

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 Ho Ying Man, Simon.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

March 27, 2019

Consolidated Statement of Profit or Loss

For the year ended December 31, 2018

(Expressed in Renminbi ("RMB"))

	Note	2018 RMB'000	2017 RMB'000
Revenue	4	**760,103**	729,624
Cost of revenue		**(160,653)**	(268,526)
Gross profit		**599,450**	461,098
Other revenue	5(a)	**20,484**	54,331
Other net loss	5(b)	**(4,741)**	(10,742)
Selling and marketing expenses		**(179,905)**	(145,745)
General and administration expenses		**(159,066)**	(108,013)
Research and development expenses		**(125,234)**	(78,481)
Profit from operations		**150,988**	172,448
Net finance income	6(a)	**10,369**	6,787
Fair value change of financial liabilities at fair value through profit or loss		**365,610**	(1,049,907)
Share of loss of associates	15	**(3,412)**	(2,426)
Profit/(loss) before income tax	6	**523,555**	(873,098)
Income tax credit/(expense)	7	**2,672**	(38,040)
Profit/(loss) for the year		**526,227**	(911,138)
Attributable to:			
Equity shareholders of the Company		**526,300**	(911,138)
Non-controlling interests		**(73)**	–
Profit/(loss) for the year		**526,227**	(911,138)
Earnings/(loss) per share	11		
Basic and diluted (RMB)		**0.29**	(0.66)

Note: The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

The notes on pages 99 to 163 form part of these financial statements.

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended December 31, 2018

(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000
Profit/(loss) for the year		**526,227**	(911,138)
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of the Company and overseas subsidiaries		**(652,612)**	583
Available-for-sale financial assets: net movement in the fair value reserve (recycling) (Note (ii))		**–**	(8,644)
Other comprehensive income for the year	10	**(652,612)**	(8,061)
Total comprehensive income for the year		**(126,385)**	(919,199)
Attributable to:			
Equity shareholders of the Company		**(126,312)**	(919,199)
Non-controlling interests		**(73)**	–
Total comprehensive income for the year		**(126,385)**	(919,199)

Notes:

(i) The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

(ii) This amount arose under the accounting policies applicable prior to January 1, 2018. As part of the opening balance adjustments as at January 1, 2018 the balance of this reserve has been reclassified to retained earnings. See Note 2(c)(i).

The notes on pages 99 to 163 form part of these financial statements.

Consolidated Statement of Financial Position

As at December 31, 2018

(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	12	**29,627**	27,160
Intangible assets	13	**4,494**	5,638
Prepayments for non-current assets		**11,685**	–
Interests in associates	15	**14,617**	13,625
Equity securities	16	**25,432**	7,323
Deferred tax assets	26(b)	**48,761**	24,881
		134,616	78,627
Current assets			
Other current assets	17	**5,956**	8,691
Inventories	18	**14,657**	36,297
Trade receivables	19	**369,720**	149,001
Prepayments and other receivables	20	**96,650**	202,404
Short-term investment	21	**809,430**	517,556
Cash and cash equivalents	22	**2,229,907**	204,783
		3,526,320	1,118,732
Current liabilities			
Trade payables	23	**14,475**	21,549
Accruals and other payables	24	**171,529**	301,713
Contract liabilities	25	**5,012**	8,817
Current taxation	26(a)	**14,211**	7,828
		205,227	339,907
Net current assets		**3,321,093**	778,825
Total assets less current liabilities		**3,455,709**	857,452

The notes on pages 99 to 163 form part of these financial statements.

As at December 31, 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Financial instruments with preferred rights	27	**–**	5,252,332
Deferred tax liabilities	26(b)	**61**	740
		61	5,253,072
Net assets/(liabilities)		**3,455,648**	(4,395,620)
Equity			
Share capital	28	**1,172**	–
Reserves	28	**3,450,349**	(4,395,620)
Total equity attributable to equity shareholders of the Company		**3,451,521**	(4,395,620)
Non-controlling interests		**4,127**	–
TOTAL EQUITY		**3,455,648**	(4,395,620)

Note: The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

Approved and authorised for issue by the board of directors on March 27, 2019.

WANG Huainan
Director

XU Chong
Director

The notes on pages 99 to 163 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

(Expressed in RMB)

	Note	Share capital RMB'000	Capital reserves RMB'000	Translation reserves RMB'000	Fair value reserves RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance January 1, 2017		–	588,543	(452)	11,791	(1,239,963)	(640,081)
Changes in equity for 2017:							
Loss for the year		–	–	–	–	(911,138)	(911,138)
Other comprehensive income		–	–	583	(8,644)	–	(8,061)
Total comprehensive income		–	–	583	(8,644)	(911,138)	(919,199)
Deemed distribution arising from reorganization	28(b) (iii)	–	(2,836,340)	–	–	–	(2,836,340)
Balance at December 31, 2017		–	(2,247,797)	131	3,147	(2,151,101)	(4,395,620)

The Notes on pages 99 to 163 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

(Expressed in RMB)

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Translation reserves RMB'000	Fair value reserves RMB'000	Accumulated loss RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company								
Balance at December 31, 2017		–	–	(2,247,797)	131	3,147	(2,151,101)	(4,395,620)	–	(4,395,620)
Impact on initial application of IFRS9	2(c)	–	–	–	–	(3,147)	3,147	–	–	–
Balance at January 1, 2018		**–**	**–**	**(2,247,797)**	**131**	**–**	**(2,147,954)**	**(4,395,620)**	**–**	**(4,395,620)**
Changes in equity for 2018:										
Profit/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**526,300**	**526,300**	**(73)**	**526,227**
Other comprehensive income		**–**	**–**	**–**	**(652,612)**	**–**	**–**	**(652,612)**	**–**	**(652,612)**
Total comprehensive income		**–**	**–**	**–**	**(652,612)**	**–**	**526,300**	**(126,312)**	**(73)**	**(126,385)**
Capital injection from owners of the Company	28(a)	**12**	**–**	**–**	**–**	**–**	**–**	**12**	**–**	**12**
Capital injection from owners of the companies comprising the Group	28(b) (ii)	**–**	**–**	**6,493**	**–**	**–**	**–**	**6,493**	**–**	**6,493**
Capitalization issue		**244**	**(244)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Termination of preferred rights upon completion of IPO	27	**729**	**6,395,664**	**–**	**–**	**–**	**–**	**6,396,393**	**–**	**6,396,393**
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	28(a)	**187**	**1,570,368**	**–**	**–**	**–**	**–**	**1,570,555**	**–**	**1,570,555**
Capital injection from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,200**	**4,200**
Balance at December 31, 2018		**1,172**	**7,965,788**	**(2,241,304)**	**(652,481)**	**–**	**(1,621,654)**	**3,451,521**	**4,127**	**3,455,648**

Note: The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

The notes on pages 99 to 163 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2018

(Expressed in RMB)

	Note	**2018 RMB'000**	2017 RMB'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	22(b)	**(226,941)**	173,897
Income taxes paid	26(a)	**(15,444)**	(4,220)
Net cash (used in)/generated from operating activities		**(242,385)**	169,677
Cash flows from investing activities			
Interest received		**10,387**	6,787
Proceeds from sale of property, plant and equipment		**–**	18
Payments for the purchase of property, plant and equipment		**(20,651)**	(13,533)
Proceeds from sale of short-term investment		**3,717,042**	3,221,998
Purchases of short-term investment		**(4,010,852)**	(487,470)
Acquisition of equity securities		**(17,100)**	(3,927)
Acquisition of associates		**(5,400)**	(4,000)
Net proceeds from sale of structured deposits in other current assets		**1,252**	2,177
Withdraw of restricted deposit		**–**	72,850
Received from/(amounts to) related parties		**152,573**	(48,471)
Net cash (used in)/generated from investing activities		**(172,749)**	2,746,429
Cash flows from financing activities			
Capital injection from owners of the Company		**12**	–
Proceeds from issue of financial instruments with preferred rights	22(c)	**3,535,584**	–
Repayment to the holders of financial instruments with preferred rights in a subsidiary	22(c)	**(2,718,541)**	–
Capital injection from owners of companies comprising the Group	28(b) (ii)	**6,493**	–
Proceeds from investment deposit of potential investor	22(c)	**49,000**	–
Repayment for investment deposit of potential investor	22(c)	**(49,018)**	–
Proceeds from issuance of ordinary shares relating to the initial public offering, net of issuance costs		**1,590,276**	–
Capital injection from non-controlling interests		**4,200**	–
Deemed distribution arising from reorganization	28(b) (iii)	**–**	(2,836,340)
Payment for investment deposit of potential investor	22(c)	**–**	(46,000)
(Repayment to)/amounts from related parties	22(c)	**(25,922)**	37,846
Net cash generated from/(used in) financing activities		**2,392,084**	(2,844,494)
Net increase in cash and cash equivalents		**1,976,950**	71,612
Cash and cash equivalents at the beginning of the year		**204,783**	133,171
Effect of exchange rate fluctuations on cash held		**48,174**	–
Cash and cash equivalents at the end of the year	22(a)	**2,229,907**	204,783

The notes on pages 99 to 163 form part of these financial statements.

1 PRINCIPAL ACTIVITIES AND ORGANISATION

BabyTree Group (the "Company") was incorporated in Cayman Islands on February 9, 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the advertising, e-commerce and content monetization in the People's Republic of China (the "PRC").

The Group's businesses are operated through BabyTree (Beijing) Information and Technology Co., Ltd. ("BabyTree Information"), Meitun Meiwu (Shanghai) Information Technology Co., Ltd. ("Meitun Meiwu"), Haitun (Shanghai) International Trading Co., Ltd. ("Haitun International"), Beijing Zhongming Century Science and Technology Co., Ltd. ("Zhongming"), Meitun Mama (Shanghai) E-Commerce Co., Ltd. ("Meitun Mama") and their subsidiaries (collectively, the "Operating Entities"). The Group underwent a reorganization between these Operating Entities before 2017 and Zhongming became the holding company then.

To rationalize the corporate structure in preparation for the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a Pre-IPO reorganization (the "Reorganization") as below.

On February 9, 2018, BabyTree Holding Limited ("BabyTree BVI") was incorporated in the British Virgin Island as a wholly-owned subsidiary of the Company. On March 5, 2018, BabyTree Group Hong Kong Limited ("BabyTree Hong Kong") was incorporated in Hong Kong as a wholly-owned subsidiary of BabyTree BVI. On May 4, 2018, the respective offshore affiliates of all the then existing shareholders of Zhongming entered into a share subscription agreement with the Company. On May 10, 2018, BabyTree Hong Kong purchased 100% equity interest in BabyTree Information.

Due to applicable PRC laws and regulatory restrictions on foreign investors to own interests in entities holding the Internet content provider ("ICP") License in the PRC, certain businesses operated by Zhongming is restricted invested by foreign investors. In order to narrowly tailor the Group's VIE structure, BabyTree Information entered into an equity transfer agreement with Zhongming, pursuant to which BabyTree Information purchased all equity interests in these Operating Entities except for Zhongming and entered into a series of contractual arrangements (the "Contractual Arrangements") with Zhongming and its registered owners to control the related businesses operated by Zhongming.

Upon the completion of the Reorganization on May 23, 2018, the Company became the holding company of the Group.

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since November 27, 2018 by way of its initial public offering ("IPO").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

Upon the completion of the Reorganization on May 23, 2018, the Company became the holding company of the Group. The Reorganization principally involved inserting certain investment holding companies with no substantive operations as the new holding companies. There were no changes in the economic substance of the ownership and the business of the Group before and after the Reorganization. Accordingly, the financial statements has been prepared and presented as a continuation of the financial information with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganization. Intra-group balances, transactions and unrealised gain/loss on intra-group transactions are eliminated in full in preparing the financial statements.

The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statement of the Group for the reporting period as set out in this report include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the reporting period, or where the companies were incorporated/ established at a date later than January 1, 2017, for the period from the respective dates of incorporation/ establishment to December 31, 2018. The consolidated statements of financial position of the Group as of December 31, 2017 and 2018 as set out in this report have been prepared to present the financial position of the companies now comprising the Group as of those dates as if the current group structure had been in existence as of the respective dates taking into account the respective dates of incorporation/establishment, where applicable.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– Financial instruments measured at fair value through profit or loss (FVPL) (see Note 2(f));

– Financial instruments with preferred rights (see Note 2(p)).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on these financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs. The Group has adopted all applicable new and revised IFRSs that are effective for the accounting period beginning on January 1, 2018, including IFRS 15 *Revenue from contracts with customers*, throughout the reporting period except for IFRS 9 *Financial Instruments*, which has been adopted since January 1, 2018. The Group has applied IFRS 9 retrospectively to items that existed at January 1, 2018 in accordance with the transition requirements. The Group has recognized the cumulative effect of initial application as an adjustment to the opening equity at January 1, 2018. The Group has not adopted any new standards or interpretations that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at January 1, 2018 in accordance with the transition requirements. The Group has recognized the cumulative effect of initial application as an adjustment to the opening equity at January 1, 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarizes the impact of transition to IFRS 9 on retained earnings and reserves and the related tax impact at January 1, 2018:

	RMB'000
Retained earnings	
Transferred from fair value reserve (recycling) relating to financial assets now measured at FVPL	3,826
Related tax	(679)
Net increase in retained earnings at January 1, 2018	3,147
Fair value reserve (recycling)	
Transferred to retained earnings relating to financial assets now measured at FVPL	(3,826)
Related tax	679
Net decrease in fair value reserve at January 1, 2018	(3,147)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. *Classification of financial assets and financial liabilities*

IFRS 9 categories financial assets into three principal classification categories: measured at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

a. *Classification of financial assets and financial liabilities* (continued)

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9:

	Note	IAS 39 carrying amount at December 31, 2017 RMB'000	Reclassification RMB'000	IFRS 9 Carrying amount at January 1, 2018 RMB'000
Financial assets carried at FVPL				
Equity securities	(i)	—	7,323	7,323
Short-term investment	(ii)	—	517,556	517,556
Financial assets classified as available-for-sale under IAS 39 (Notes (i), (ii))				
Available-for-sale equity securities	(i)	7,323	(7,323)	—
Available-for-sale financial assets	(ii)	517,556	(517,556)	—

Notes:

(i) Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group. No equity security was designated at FVOCI by the Group.

(ii) Under IAS 39, wealth management products were classified as available-for-sale financial assets. They are classified as at FVPL under IFRS 9.

For an explanation of how the Group classifies and measures financial assets and recognizes related gains and loss under IFRS 9, see respective accounting policy notes in Notes 2(f), (k), (n) and (r).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at January 1, 2018 have not been impacted by the initial application of IFRS 9.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

b. Credit loss

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognizes ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to financial assets measured at amortized cost (including cash and cash equivalents, other current assets and trade receivables).

For further details on the Group's accounting policy for accounting for credit loss, see Note 2(k).

The Group assessed and concluded there is no material difference between the closing loss allowance determined in accordance with IAS 39 as at December 31, 2017 and the opening loss allowance determined in accordance with IFRS 9 as at January 1, 2018.

c. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Information relating to the comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.
- The assessments on the determination of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at January 1, 2018 (the date of initial application of IFRS 9 by the Group).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognized for that financial instrument.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized loss resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(o) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(e)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

- **Subsidiaries controlled through Contractual Arrangements**

The Company and the companies comprising the Group entered several batches of contractual agreements.

Zhongming and its registered owners entered a series contractual arrangements with BabyTree Information, and Meitun Mama and its registered owners entered a series contractual arrangements with Meitun Meiwu (collectively, "Previous VIE Structure" effective before May 2017).

BabyTree Information entered a series contractual arrangements (collectively, "Contractual Arrangements" effective since May 2018) with Zhongming and its registered owners to control the Restricted Businesses.

Zhongming and Meitun Mama in these contractual arrangements are collectively called "VIEs" and BabyTree Information and Meitun Meiwu are collectively called "WFOEs".

The equity interests of VIEs are legally held by individuals who act as nominee equity holders of the VIEs on behalf of WFOEs. The contractual agreements including powers of attorney, exclusive business cooperation agreement, share pledge agreement and loan agreement. Pursuant to the Contractual Agreements, WFOEs have the power to direct activities that most significantly impact the VIEs and the VIEs' subsidiaries, including appointing key management, setting up operating policies, exerting financial controls and transferring profit or assets out of the VIEs and the VIEs' subsidiaries at its discretion. WFOEs consider that they also have the right to substantially all of the economic benefits of VIEs and have an exclusive option to purchase all or part of the equity interests in VIEs when and to the extent permitted by PRC law at the minimum price possible.

The Group has determined that the Previous VIE Structure and the Contractual Arrangements are in compliance with PRC laws and are legally enforceable. However, uncertainties in the PRC legal system could limit the Group's ability to enforce the Contractual Arrangements.

- **Business combinations**

a) Business combinations not under common control

The Group accounts for business combinations not under common control using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

- **Business combinations** (continued)

*b) **Business combinations under common control***

The consolidated financial statements incorporate the financial statement items of the combining entities of businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of same shareholder.

The assets and liabilities of the combining entities or businesses are consolidated at the carrying amount previously recognized. The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statement include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment loss for the year are recognized in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of loss exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further loss is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates (continued)

Unrealized profits and loss resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealized loss provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)).

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are set out below.

Investments in debt and equity securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 29(d). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from January 1, 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(v)(v)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit loss, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Investments in wealth management products of the Group are classified as fair value at profit or loss. Changes in the fair value of the investment (including interest) are recognized in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Other investments in debt and equity securities (continued)

(A) Policy applicable from January 1, 2018 (continued)

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income in accordance with the policy set out in Note 2(v)(iv).

(B) Policy applicable prior to January 1, 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities.

The Group did not have any held-to-maturity or held for trading investments and debt securities in the current or comparative accounting periods.

Investments in wealth management products and investment in equity securities which did not fall into any of the above categories were classified as available-for-sale assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in Notes 2(v)(iv) and 2(v)(v), respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see Note 2(k)(i) – policy applicable prior to January 1 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(g) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss (see Note 2(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Electronic equipment	3-5 years
– Office equipment	5 years
– Leasehold improvements	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. Other development expenditure is recognized as an expense in the period in which it is incurred. No expenditure on development activities is capitalized in the current or comparative accounting periods.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment loss (see Note 2(k)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred. Software held by the Group is mainly consisted of warehouse management system, office administrative software such as Email system and OA system, ERP System and others.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The Group estimated useful lives based on the shorter of licensing period and the period over which the software is expected to generate net cash inflows for the Group. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

– Software	3- 10 years

Both the period and method of amortization are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale.

(k) Credit loss and impairment of assets

(i) Credit loss from financial instruments

(A) Policy applicable from January 1, 2018

The Group recognize a loss allowance for expected credit loss (ECLs) on financial assets measured at amortized cost (including cash and cash equivalents and trade receivables).

Financial assets measured at fair value, including equity securities and investments in wealth management products measured at FVPL, are not subject to the ECL assessment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit loss and impairment of assets (continued)

(i) Credit loss from financial instruments (continued)

(A) Policy applicable from January 1, 2018 (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit loss. Credit loss are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including structured deposits in other current assets), the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit loss and impairment of assets (continued)

(i) Credit loss from financial instruments (continued)

(A) Policy applicable from January 1, 2018 (continued)

Significant increases in credit risk (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognized in accordance with Note 2(v)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit loss and impairment of assets (continued)

(i) Credit loss from financial instruments (continued)

(A) Policy applicable from January 1, 2018 (continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to January 1, 2018

Prior to January 1, 2018, an "incurred loss" model was used to measure impairment loss on financial assets not classified as at FVPL (e.g. trade and other receivables, and available-for-sale investments). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit loss and impairment of assets (continued)

(i) Credit loss from financial instruments (continued)

(B) Policy applicable prior to January 1, 2018 (continued)

If any such evidence existed, any impairment loss was determined and recognized as follows:

– For trade receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

– For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

Impairment losses recognised in profit or loss in respect of available-for-sale debt securities were reversed if the subsequent increase in fair value could be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances were recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit loss and impairment of assets (continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets;

– prepayment for non-current assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– ***Calculation of recoverable amount***

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– ***Recognition of impairment loss***

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment loss recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– ***Reversals of impairment losses***

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment loss are credited to profit or loss in the year in which the reversals are recognized.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit loss and impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises costs of purchase after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as a cost of revenue in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all loss of inventories are recognized as a cost of revenue in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as a cost of revenue in the period in which the reversal occurs.

(m) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see Note 2(v)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see Note 2(n)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(v)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses (see Note 2(k)(i)).

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs

(p) Financial instruments with preferred rights

Ordinary shares with preferred rights ("Preferred Securities"), which are designated as financial instruments with preferred rights, issued by the Group are redeemable upon occurrence of certain future events and at the option of the holders as detailed in Note 27. Financial instruments with preferred rights is classified as a liability and the Group designated them as financial liabilities at fair value through profit or loss. These financial liabilities are initially recognized at fair value. Any directly attributable transaction costs are recognized in profit or loss as incurred. The financial instruments with preferred rights are subsequently remeasured at the end of each reporting period. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss. Upon completion of IPO, all preferred rights entitled to the holders of Preferred Securities are terminated. The fair value of financial instruments with preferred rights at the date of IPO is transferred to share capital and share premium as consideration for the ordinary shares.

(q) Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(k)(i).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognized in the capital reserve until either the option is exercised (when it is included in the amount recognized in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax loss and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax loss and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Advertising

The Group offers different formats of on-line advertisements, such as banners, rectangles, picture-in-picture, text links, images and topics, throughout the Group's Apps or websites. The Group generates revenue when the Group displays the advertisement ("display-based revenue") in the contracted period or when a user carries out a specified action ("performance-based revenue") as stipulated the contract.

Display-based advertisements services are provided in a subscribed impressions for cost per thousand impressions advertising arrangements. Revenue is recognized on a pro-rata basis as the advertisement is displayed in accordance with the terms of the advertising contracts.

Performance-based advertisements services are provided based on performance criteria such as number of click of links directly to the advertiser's website or number of applications for advertising products. Revenue is recognized at the time when a user clicks on the advertisement or when the user views the advertisement for a specific period of time based on the specific terms of the contract.

Sales rebates are estimated based on the Group's best estimation on historical experiences and deduct from revenue.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue and other income (continued)

(ii) E-commerce

The Group conducts e-commerce operations on the Group's Apps or websites in two models: direct sales and marketplace.

Under the direct sales model, the Group purchases products from suppliers and sells to customers as principal. Under such model, the Group controls over the products as by sourcing, pricing, taking inventory, arranging for delivery, providing customer service and responding to return requests directly. Revenue from direct sales is recognized at a point in time when the customer takes possession of and accepts the goods. Revenue is determined based on the gross amount of sales excluding value added tax, and after deduction of any trade discounts and sales return. Sales returns are estimated based on the Group's best estimation on historical experiences.

Under the marketplace model, third-party vendors offer merchandise to customers on the Group's e-commerce platform, and the Group provides display, transaction and billing services for all orders in their online marketplace. The Group as the owner and operator of the platform charges commissions on the sales to these third-party vendors. Revenue of commissions is recognized at a point in time when the customer takes possession of and accepts the goods.

(iii) Content Monetization

The Group provides premium content and charges a fee to customers. The Group cooperates with institutes who have qualified expert resources or individual qualified experts to provide knowledge sharing or online consultation by the functions in the Group's platform.

Revenue is recognized at a point in time when the customer pays for and obtains the access to the premium content.

The Group considers whether it is acting as principal or agent in the provision of premium content. When the Group is primarily responsible for fulfilling the contract, has the power to control the process of content generation, the right to use the content and has discretion to establish pricing, revenue is determined based on the gross amount of sales excluding value added tax, and after deduction of any trade discounts and sales return. Otherwise, the Group performs as a channel for the customers and the service providers, revenue is determined based on the net amount of sales excluding value added tax and after deduction of the payments to institutes and experts.

(iv) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue and other income (continued)

(v) Interest income

Interest income is recognized as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(k)(i))

(vi) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized as deferred income and consequently are effectively recognized in profit or loss over the useful life of the asset as other income.

(w) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The functional currency of the Company is USD. As the major operations of the Group are within mainland China, the consolidated financial statements are presented in RMB.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gain and loss are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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).

(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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

Principal versus agent consideration

– ***Revenue from e-commerce via the Group's platform***

The Group conducts e-commerce operations on the Group's platform in two models: marketplace and direct sales.

Determining whether the Group is acting as a principal or as an agent in the sales of goods on the Group's platform requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group acting as a principal or an agent, the Group considers, individually or in combination whether the Group is primarily responsible for fulfilment the contract, is subject to the inventory risk, has discretion to establish prices. Having considered the relevant facts and circumstances, management considers that the Group obtains control of those goods sold through direct sales while the Group does not obtain control of those goods sold through marketplace before the goods are transferred to the customers. Accordingly, the Group is acting as a principal for the direct sales and the related revenue is presented on a gross basis, while the Group is acting as an agent for the marketplace and the related revenue is presented on a net basis.

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Valuation of financial instruments with preferred rights

The Group adopts an equity allocation model to estimate the fair value of financial instruments with preferred rights as of December 31, 2017. Significant estimate on assumptions, such as the discount rate, risk-free interest rate, expected volatility and IPO date, are required to be made by the Group in applying the equity allocation model. If these assumptions significant changes, there will be an impact to the fair value of financial instruments with preferred rights and fair value change charge to profit or loss.

(ii) Deferred tax assets

Deferred tax assets are recognized for all temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In assessing whether such temporary differences can be utilized in the future, the Group needs to make judgements and estimates on the ability of each of its subsidiaries to generate taxable income in the future years. The Group believes it has recorded adequate deferred taxes based on the prevailing tax rules and regulations and its current best estimates and assumptions. In the event that future tax rules and regulations or related circumstances change, adjustments to deferred taxation may be necessary which would impact the Group's results or financial position.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(b) Sources of estimation uncertainty (continued)

(iii) Credit loss of trade receivables

The Group recognize a loss allowance for expected credit loss (ECLs) financial assets measured at amortized cost. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. If the financial condition of the debtors and the general economic conditions were to deteriorate, actual write-offs would be higher than estimated.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are providing advertising, e-commerce and other content monetization services to customers.

(i) Disaggregation of revenue

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

	2018 **RMB'000**	2017 RMB'000
Advertising	**596,215**	372,385
E-commerce		
– Direct sales	**69,820**	174,672
– Marketplace	**65,481**	157,911
Content monetization	**28,587**	24,656
	760,103	729,624

The Group's customer base is diversified and includes only one customer with whom transactions has exceeded 10% of the Group's revenues during the reporting period. In 2018, revenues from advertising to this customer amounted to approximately RMB117.0 million. Details of concentrations of credit risk arising from this customer are set out in Note 29(a).

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

Contracts with advertising customers always have an original expected duration of less than one year. And contracts with individual customers for e-commerce and content monetization are always satisfied within one month.

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

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting

The Group manages its businesses by divisions, which are organized by business lines (products and services). In a manner consistent with the way in the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Advertising

– E-commerce, which includes direct sales and marketplace

– Content monetization

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the revenue and gross profit attributable to each reportable segment. Other items in profit or loss are not allocated to reportable segments.

Revenue and cost are allocated to the reportable segments with reference to sales generated by those segments and the cost incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments.

Other information, together with the segment information, provided to the Group's senior executive management, is measured in a manner consistent with that applied in these financial statements. There were no separate segment assets and segment liabilities information provided to the Group's senior executive management, as they do not use this information to allocate resources to or evaluate the performance of the operating segments.

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

	For the year ended December 31, 2018			
	Advertising RMB'000	**E-commerce RMB'000**	**Content monetization RMB'000**	**Total RMB'000**
Segment revenue	**596,215**	**135,301**	**28,587**	**760,103**
Segment costs	**(91,150)**	**(67,069)**	**(2,434)**	**(160,653)**
Gross profit	**505,065**	**68,232**	**26,153**	**599,450**

	For the year ended December 31, 2017			
	Advertising RMB'000	E-commerce RMB'000	Content monetization RMB'000	Total RMB'000
Segment revenue	372,385	332,583	24,656	729,624
Segment costs	(88,797)	(170,907)	(8,822)	(268,526)
Gross profit	283,588	161,676	15,834	461,098

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC.

As at December 31, 2018, substantially all of the non-current assets of the Group other than certain long-term investments were located in PRC.

The reconciliation of segment gross profit to profit before income tax for the year ended December 31, 2018 is presented in the consolidated statements of profit or loss of the Group.

5 OTHER REVENUE AND OTHER NET LOSS

(a) Other revenue

	2018 **RMB'000**	2017 RMB'000
Investment income of short-term investment	**14,886**	49,646
Interest income from structured deposits in other current assets measured at amortized cost	**1,252**	2,177
Government grants	**4,346**	2,508
	20,484	54,331

(b) Other net loss

	2018 **RMB'000**	2017 RMB'000
Net loss on disposal of property, plant and equipment	**(22)**	—
Impairment loss of available-for-sale equity security*	—	(4,000)
Net foreign exchange loss	**(4,155)**	(6,751)
Others	**(564)**	9
	(4,741)	(10,742)

* The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated.

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after (crediting)/charging:

(a) Net finance income

	2018 RMB'000	2017 RMB'000
Interest income from deposits with maturity less than three months	**10,387**	6,787
Interest expense on interest-bearing loans	**(18)**	—
Net finance income	**10,369**	6,787

BabyTree Information received RMB49.0 million from Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司) on May 25, 2018 as investment deposit and repaid on May 29, 2018. The prescribed annual interest rate of this deposit is 4.35%.

(b) Staff costs

	Note	2018 RMB'000	2017 RMB'000
Salaries, wages and other benefits		**247,234**	195,664
Contributions to defined contribution retirement plan	(i)	**27,085**	20,546
Termination benefits		**3,482**	6,572
		277,801	222,782

(i) Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

6 PROFIT/(LOSS) BEFORE TAXATION (continued)

(c) Other items

The following expenses are included in cost of revenue, selling and marketing expenses, general and administration expenses and research and development expenses:

	2018 **RMB'000**	2017 RMB'000
Cost of inventories	**62,845**	165,320
Fulfillment expenses	**17,003**	32,312
Marketing expenses	**46,542**	30,019
Operating lease	**31,382**	28,418
Tax and levies	**23,199**	16,175
Depreciation and amortization	**13,060**	12,687
Loss allowance for trade and other receivables	**15,185**	1,844
Listing expense	**43,968**	21,796
Auditors' remuneration*	**4,974**	630

* The amounts includes annual audit fee and other statutory audit fee for subsidiaries.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Income tax (credit)/expense in the consolidated statements of profit or loss represents:

	2018 **RMB'000**	2017 RMB'000
Current tax – PRC		
Enterprise Income Tax		
Provision for the year	**21,887**	8,612
Deferred tax expense		
Origination and reversal of temporary differences	**(24,559)**	29,428
	(2,672)	38,040

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (continued)

(b) Reconciliation between income tax (credit)/expense and accounting profit/(loss) at applicable tax rates:

	Note	**2018 RMB'000**	2017 RMB'000
Profit/(loss) before taxation		**523,555**	(873,098)
Tax calculated at statutory tax rates applicable to profits in the respective jurisdictions	(i)	**137,254**	(218,274)
Tax effect of:			
Non-deductible expenses and loss	(ii)	**7,371**	1,831
Fair value change of financial liabilities at fair value through profit or loss		**(91,403)**	262,477
Preferential tax rate applicable to subsidiary	(i)	**(12,663)**	(5,328)
Additional deductible allowance for research and development expenses		**(16,714)**	(3,561)
Tax loss and temporary differences not recognized as deferred tax assets		**7,691**	3,026
Utilization and recognition of previously tax loss and temporary differences unrecognized		**(612)**	(2,131)
Others	(iii)	**(33,596)**	—
Actual tax (credit)/expense		**(2,672)**	38,040

Notes:

(i) Income tax rate applies to the Company and subsidiaries

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

The Group has no assessable profit in Hong Kong during the reporting period and is not subject to any Hong Kong profits tax. The Hong Kong profits tax rate during the reporting period is 16.5%.

In accordance with the Enterprise Income Tax Law ("Income Tax Law") of the PRC, enterprise income tax rate for the Group's PRC subsidiaries during the reporting period is 25%.

According to the relevant PRC income tax law, the Company's subsidiary, BabyTree Information was certified as a New and High Technology Enterprise in Beijing since 2016, and is entitled to a preferential income tax rate of 15%. The current certification of New and High Technology Enterprise held by BabyTree Information will expire on December 21, 2019.

(ii) Non-deductible expenses and loss mainly represent non-deductible other expenses or losses that exceed the deductible limitation such as entertainment, donation and others.

(iii) It represents an additional deductible investment loss within the Group during the Reorganization in preparation for the listing.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended December 31, 2018				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
WANG Huainan	—	2,602	200	55	2,857
XU Chong	—	1,659	130	55	1,844
Non-executive directors					
Christian Franz REITERMANN	25	—	—	—	25
Independent non-executive directors					
CHEN Guanglei	25	—	—	—	25
CHEN Danxia	25	—	—	—	25
De-chao Michael YU	25	—	—	—	25
ZHANG Hongjiang	25	—	—	—	25
	125	4,261	330	110	4,826

	Year ended December 31, 2017				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
WANG Huainan	—	2,989	350	51	3,390
XU Chong	—	1,398	300	51	1,749
	—	4,387	650	102	5,139

Notes:

i Mr. WANG Huainan and Mr. XU Chong were appointed as executive directors of the Company on February 9, 2018 and June 11, 2018, respectively. All the executive directors are key management personnel of the Group during the reporting period and their remuneration disclosed above include those for services rendered by them as key management personnel.

ii Mr. CHEN Qiyu, Mr. WANG Changying, Mr. SHAO Yibo, Mr. LUO Rong, Mr. Christian Franz REITERMANN and Mr. JING Jie were appointed as non-executive directors of the Company on June 11, 2018. Mr. SHAO Yibo and Mr. LUO Rong resigned as non-executive directors of the Company on March 7, 2019. Mr. MA Jiangwei was appointed as a non-executive director of the Company on March 7, 2019.

iii Mr. CHEN Guanglei, Ms. CHEN Danxia, Mr. De-chao Michael YU and Mr. ZHANG Hongjiang were appointed as independent non-executive directors of the Company on November 27, 2018.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2017: two) are directors whose emolument is disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2017: three) individuals are as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries and other emoluments	**3,223**	3,090
Discretionary bonuses	**320**	1,298
Retirement scheme contributions	**151**	147
	3,694	4,535

The emoluments of the above individuals with the highest emoluments are within the following bands:

	2018 **RMB'000**	2017 RMB'000
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	1

10 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	For the year ended December 31, 2018		
	Before-tax amount RMB'000	**Tax benefit RMB'000**	**Net-of-tax amount RMB'000**
Exchange differences on translation of financial statements of overseas subsidiaries	**(652,612)**	—	**(652,612)**
Other comprehensive income	**(652,612)**	—	**(652,612)**

	For the year ended December 31, 2017		
	Before-tax amount RMB'000	Tax benefit RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	583	—	583
Available-for-sale financial assets: net movement in fair value reserve (recycling)	(11,896)	3,252	(8,644)
Other comprehensive income	(11,313)	3,252	(8,061)

10 OTHER COMPREHENSIVE INCOME (continued)

(b) Components of other comprehensive income, including reclassification adjustments

	2017 RMB'000
Available-for-sale financial assets:	
Change in fair value recognized during the year	37,750
Reclassification adjustments for amounts transferred to profit or loss:	
– gains on disposal (Note 5(a))	(49,646)
Net movement in the fair value reserve during the year recognized in other comprehensive income	(11,896)

Available-for-sale financial assets were reclassified to short-term investment measured at FVPL upon the initial application of IFRS 9 at January 1, 2018 (see Note 2(c)).

11 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company of RMB144.7 million (2017: loss of RMB243.2 million) and the weighted average of 494,053,000 ordinary shares (2017: 369,249,000 shares in issue upon the completion of the Reorganization were deemed to have been issued since January 1, 2017 and adjusted for the effect of capitalization issue in 2018), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company

	2018 **RMB'000**	2017 RMB'000
Profit/(loss) attributable to ordinary equity shareholders of the Company	**526,300**	(911,138)
Less: (Profit)/loss attributable to ordinary shares with preferred rights	**(381,634)**	667,947
Profit/(loss) attributable to ordinary shares without preferred rights	**144,666**	(243,191)

11 EARNINGS/(LOSS) PER SHARE (continued)

(a) Basic earnings/(loss) per share (continued)

(ii) Weighted average number of ordinary shares without preferred rights

	2018 **'000**	2017 '000
Issued ordinary shares without preferred rights at January 1,	**369,249**	17,770
Effect of shares issued	**24,273**	861
Effect of Capitalization Issue (Note 28(a))	—	350,618
Effect of termination of preferred rights	**100,531**	—
Weighted average number of ordinary shares without preferred rights at December 31,	**494,053**	369,249

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: ordinary shares with preferred rights and potential ordinary shares over-allotment option from global offering. The dilutive potential ordinary shares were not included in the calculation of diluted earnings/(loss) per share as their inclusion would be anti-dilution. Accordingly, diluted earnings/(loss) per share for the years ended December 31, 2017 and 2018 were the same as basic loss per share of the respective years.

12 PROPERTY, PLANT AND EQUIPMENT

	Electronic equipment RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost:				
At January 1, 2017	29,533	2,605	8,518	40,656
Additions	11,347	2	123	11,472
Disposals	(372)	—	—	(372)
At December 31, 2017 and January 1, 2018	40,508	2,607	8,641	51,756
Additions	11,904	76	1,198	13,178
Disposals	(432)	—	—	(432)
At December 31, 2018	51,980	2,683	9,839	64,502
Accumulated depreciation:				
At January 1, 2017	(10,150)	(1,049)	(3,001)	(14,200)
Charge for the year	(9,136)	(638)	(976)	(10,750)
Written back on disposals	354	—	—	354
At December 31, 2017 and January 1, 2018	(18,932)	(1,687)	(3,977)	(24,596)
Charge for the year	(9,029)	(588)	(1,072)	(10,689)
Written back on disposals	410	—	—	410
At December 31, 2018	(27,551)	(2,275)	(5,049)	(34,875)
Net book value:				
At December 31, 2017	21,576	920	4,664	27,160
At December 31, 2018	24,429	408	4,790	29,627

13 INTANGIBLE ASSETS

	2018 RMB'000	2017 RMB'000
Cost:		
At January 1,	**9,469**	5,910
Additions	**1,227**	3,559
At December 31,	**10,696**	9,469
Accumulated amortization:		
At January 1,	**(3,831)**	(1,894)
Charge for the year	**(2,371)**	(1,937)
At December 31,	**(6,202)**	(3,831)
Net book value:		
At December 31,	**4,494**	5,638

Intangible assets represent computer software during the reporting period.

The amortization charge for the year is included in "cost of revenue", "selling and marketing expenses", "general and administrative expenses" and "research and development expenses" in the consolidated statement of profit or loss.

14 INVESTMENTS IN SUBSIDIARIES

The following list contains all the subsidiaries of the Company as at December 31, 2018. The class of shares held is ordinary unless otherwise stated:

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the subsidiary	Type of business	Principal activities
BabyTree Holdings Limited	BVI February 9, 2018	1 ordinary share	100%	100%	—	BVI Co	Investing holding company
BabyTree Group Hong Kong Limited	Hong Kong March 5, 2018	1 ordinary share HK$1	—	—	100%	HK Co	Investing holding company
BabyTree (Beijing) Information and Technology Co., Ltd. (寶寶樹 (北京) 信息技術有限公司)	Beijing, PRC August 8, 2007	RMB 97,772,300	—	—	100%	WOFE	Technology information service
Meitun Mama (Shanghai) E-Commerce Co., Ltd. (美囤媽媽 (上海) 電子商務有限公司)	Shanghai, PRC October 11, 2014	RMB5,000,000	—	—	100%	LLC	E-commerce
Ningbo Meitun Mama E-Commerce Co., Ltd. (寧波美囤媽媽電子商務有限公司)	Ningbo, PRC September 23, 2015	RMB 5,000,000	—	—	100%	LLC	E-commerce
Meitun Meiwu (Shanghai) Information Technology Co., Ltd. (美囤美物 (上海) 信息技術有限公司)	Shanghai, PRC November 5, 2014	RMB64,801,000	—	—	100%	LLC	Technology information service
Haitun (Shanghai) International Trading Co., Ltd. (海囤(上海) 國際貿易有限公司)	Shanghai, PRC April 10, 2015	RMB2,000,000	—	—	100%	LLC	Technology information service
Meitun International Trading Limited (美囤國際貿易有限公司)	Hong Kong May 10, 2016	HK$1	—	—	100%	LLC	Technology information service
Wuhan Meitun Mama E-Commerce Co. (武漢美囤媽媽電子商務有限公司)	Wuhan, PRC April 13, 2017	RMB1,000,000	—	—	100%	LLC	E-commerce
Meitun Trade Gmbh	Germany January 27, 2016	EUR500,000	—	—	100%	DE Co	E-commerce
Shanghai Xiaojia Finance Technology Service Co., Ltd. (上海小嘉金融科技服務有限公司)	Shanghai, PRC September 3, 2018	RMB15,000,000	—	—	86%	LLC	Finance Service
Beijing Zhongming Century Science and Technology Co., Ltd. (北京眾鳴世紀科技有限公司)	Beijing, PRC March 1, 2006	RMB53,498,360	—	—	100%*	OpCo	Advertising

* The company is held by BabyTree (Beijing) Information and Technology Co., Ltd. through contractual agreements.

There is no individually material non-controlling interest of the Group during the reporting period.

15 INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**14,617**	13,625
Aggregate amounts of the Group's share of those associates'		
Loss from operations	**(3,412)**	(2,426)
Total comprehensive income	**(3,412)**	(2,426)

There is no individually material interests in associates during the reporting period.

16 EQUITY SECURITIES

	2018 RMB'000	2017 RMB'000
Equity securities		
– Unlisted	**25,432**	—
Available-for-sale equity securities:		
– Unlisted	—	11,323
Less: Impairment	—	(4,000)
	25,432	7,323

Available-for-sale equity securities were reclassified to equity securities measured at fair value through profit or loss (FVPL) upon the initial application of IFRS 9 at January 1, 2018 (see Note 2(c)).

As at December 31, 2018, equity securities held by the Group are equity instruments invested in third parties with less than 20% of shareholding and the Group has no significant influence.

17 OTHER CURRENT ASSETS

	Note	2018 RMB'000	2017 RMB'000
Deductible input VAT		**5,707**	8,631
Recoverable tax	26(a)	—	60
Others		**249**	—
		5,956	8,691

18 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2018 RMB'000	2017 RMB'000
Finished goods	**20,133**	45,297
Less: Provision for inventory	**(5,476)**	(9,000)
Inventories, net	**14,657**	36,297

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	2018 RMB'000	2017 RMB'000
Carrying amount of inventories sold	**57,008**	157,372
Write down of inventories	**5,837**	7,948
	62,845	165,320

19 TRADE RECEIVABLES

	Note	2018 RMB'000	2017 RMB'000
Amounts due from third parties		**386,139**	159,989
Less: Loss allowance	(i)	**(16,419)**	(10,988)
		369,720	149,001

(i) The Group assessed no material difference between the closing loss allowance determined in accordance with IAS 39 as at December 31, 2017 and the opening loss allowance determined in accordance with IFRS 9 as at January 1, 2018.

Ageing analysis

As of the end of each of the reporting period, the ageing analysis of trade receivable, based on the invoice date and net of loss allowance, is as follows:

	2018 RMB'000	2017 RMB'000
Within 6 months	**318,248**	127,617
6 months to 1 year	**39,832**	9,056
1 to 2 years	**6,310**	11,431
2 to 3 years	**5,330**	897
Over 3 years	—	—
	369,720	149,001

The credit terms agreed with customers are normally 30 – 90 days from the date of billing or 60 – 120 days from the date the advertisement posts. No interests are charged on the trade receivables. Further details on the Group's credit policy are set out in Note 29(a).

20 PREPAYMENTS AND OTHER RECEIVABLES

	Note	2018 RMB'000	2017 RMB'000
Amounts due from related parties	31(b)(i)	**4,744**	157,317
Prepayments to suppliers		**10,692**	19,262
Receivables due from third party payment channels		**1,384**	9,987
Prepaid fund management fees		**15,414**	—
Other receivables, net of loss allowance	(i)	**64,416**	15,838
		96,650	202,404

(i) Included in the balance there are deposit, staff advance and other miscellaneous items.

21 SHORT-TERM INVESTMENT

	2018 RMB'000	2017 RMB'000
Short-term investment		
– Wealth management products	**809,430**	—
Available-for-sale financial assets		
– Wealth management products	—	517,556

Available-for-sale financial assets were reclassified to short-term investment measured at FVPL upon the initial application of IFRS 9 at January 1, 2018 (see Note 2(c)).

Wealth management products is issued by banks in the PRC and other financial institution with variable interest rate due within one year.

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2018 RMB'000	2017 RMB'000
Cash on hand	**1**	2
Cash at bank	**617,342**	204,781
Deposits with banks	**1,612,564**	—
Cash and cash equivalents	**2,229,907**	204,783

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of profit/(loss) before taxation to cash (used in)/generated from operations:

	2018 RMB'000	2017 RMB'000
Profit/(loss) before income taxation	**523,555**	(873,098)
Adjustments for:		
Depreciation	**10,689**	10,750
Amortization	**2,371**	1,937
Net finance income	**(10,369)**	(6,787)
Share of loss of associates	**3,412**	2,426
Net loss on disposal of property, plant and equipment	**22**	—
Investment income from short-term investment	**(14,886)**	(49,646)
Investment income from structured deposits in other current assets	**(1,252)**	(2,177)
Impairment of trade and other receivables and available-for-sale equity securities	**15,185**	5,844
Provision of inventories	**(3,524)**	7,055
Fair value change of financial liabilities at fair value through profit or loss	**(365,610)**	1,049,907
Changes in working capital:		
Decrease/(increase) in inventories	**25,164**	(3,070)
(Increase)/decrease in trade receivables	**(229,246)**	5,551
Increase in prepayments and other receivables	**(43,098)**	(1,055)
Decrease in trade payables	**(7,074)**	(2,842)
(Decrease)/increase in accruals and other payables	**(134,955)**	21,667
Decrease in other current assets	**2,675**	7,435
Cash (used in)/generated from operations	**(226,941)**	173,897

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities:

	Financial instruments with preferred rights RMB'000 (Note 27)	Accruals and other payables RMB'000	Total RMB'000
At January 1, 2017	4,202,425	56,251	4,258,676
Changes from financing cash flows:			
Payment for investment deposit of potential investor	—	(46,000)	(46,000)
Amounts from related parties	—	37,846	37,846
Others	—	(333)	(333)
Change in fair value	1,049,907	—	1,049,907
At December 31, 2017	5,252,332	47,764	5,300,096
At January 1, 2018	5,252,332	47,764	5,300,096
Changes from financing cash flows:			
Proceeds from investment deposit of potential investor	—	49,000	49,000
Payment for investment deposit of potential investor	—	(49,018)	(49,018)
Amounts from related parties	—	(25,922)	(25,922)
Proceeds from issue of financial instruments with preferred rights in the Company	3,535,584	—	3,535,584
Repayment to the holders of financial instruments with preferred rights in Zhongming	(2,718,541)	—	(2,718,541)
Change in fair value	(365,610)	—	(365,610)
Other changes:			
Termination of preferred rights upon completion of IPO	(6,396,393)	—	(6,396,393)
Effect of exchange rate fluctuations	692,628	—	692,628
Interest expense on interest-bearing loans (Note 6(a))	—	18	18
At December 31, 2018	—	21,842	21,842

23 TRADE PAYABLES

	2018 RMB'000	2017 RMB'000
Amounts due to third parties	**13,682**	20,922
Amounts due to related parties (Note 31(b)(ii))	**793**	627
	14,475	21,549

As of the end of each of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2018 RMB'000	2017 RMB'000
Within 6 months	**9,055**	16,444
6 months to 1 year	**4,672**	4,610
1 to 2 years	**730**	495
2 to 3 years	**18**	—
	14,475	21,549

24 ACCRUALS AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Amounts due to merchants	**40,178**	160,463
Amounts due to related parties (Note 31(b)(i))	**21,842**	47,764
Payroll payables	**25,746**	30,099
Taxes and levies payables	**12,991**	12,223
Other payables	**70,772**	51,164
	171,529	301,713

All of the accruals and other payables are expected to be settled or recognized as profit or loss within one year or are repayable on demand.

25 CONTRACT LIABILITIES

	2018 RMB'000	2017 RMB'000
Contract liabilities		
Advertising	**2,773**	5,578
E-commerce	**2,239**	3,239
	5,012	8,817

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

The Group keeps deposit before the satisfaction of online self-ordered advertisement. This deposit is recognised as contract liability until the Group satisfied the display of the advertisement.

The Group receives total consideration of the goods from customers before the Group deliver the goods to customers. Contract liability is recognised until the customer takes possession of and accept the goods.

All the contract liability balance as at the beginning of the year was recognised as revenue during the respective year.

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2018 RMB'000	2017 RMB'000
At January 1,	**7,768**	3,376
Provision for PRC Income Tax for the year	**21,887**	8,612
PRC Income Tax paid during the year	**(15,444)**	(4,220)
At December 31,	**14,211**	7,768
Representing:		
Recoverable tax	—	(60)
Current taxation	**14,211**	7,828

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognized:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognized in the consolidated statement of financial position and the movements during the year are as follows:

	Deductible accumulative loss RMB'000	**Impairment loss** RMB'000	**Other deducible temporary differences** RMB'000	**Change in the fair value of short-term investment** RMB'000	**Total** RMB'000
Deferred tax arising from:					
At January 1, 2017	48,547	2,852	2,849	(3,931)	50,317
Charged/(credited) to profit or loss	(31,186)	3,214	(1,456)	—	(29,428)
Charged to reserves	—	—	—	3,252	3,252
At December 31, 2017	17,361	6,066	1,393	(679)	24,141
At January 1, 2018	17,361	6,066	1,393	(679)	24,141
Credited/(charged) to profit or loss	23,931	9	(60)	679	24,559
At December 31, 2018	41,292	6,075	1,333	—	48,700

(ii) Reconciliation to the consolidated statement of financial position

	2018 **RMB'000**	2017 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**48,761**	24,881
Net deferred tax liability recognised in the consolidated statement of financial position	**(61)**	(740)
At the end of year	**48,700**	24,141

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(t), the Group has not recognized deferred tax assets in respect of cumulative tax loss of RMB71.5 million (2017: RMB38.1 million) as it is not probable that future taxable profits against which the loss can be utilized will be available in the relevant tax jurisdiction and entity. The tax loss does not expire under current tax legislation.

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(d) Deferred tax liabilities not recognised

At December 31, 2018, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB157.9 million (2017: RMB0). Deferred tax liabilities of RMB15.8 million (2017: RMB0) have not been recognized in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

27 FINANCIAL INSTRUMENTS WITH PREFERRED RIGHTS

Before 2017, Zhongming issued certain ordinary shares with preferred rights ("Preferred Securities") to certain investors.

To rationalize the corporate structure in preparation for the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent Reorganization, as detailed in Note 1. The Company issued 50,774,062 ordinary shares to all the holders of Preferred Securities with a consideration of RMB2,718,541,479. A shareholders' agreement dated May 4, 2018 (the "May 4 Shareholders' Agreement") was entered into among the above holders and granted to them same preferred rights in Zhongming. Meanwhile, all the preferred rights attached to Zhongming's ordinary shares were removed.

In May 2018, the Company issued 4,404,799 ordinary shares with a consideration of US$127,623,081 (RMB817,042,965) to Taobao China Holding Limited ("Taobao China"). A new shareholders' agreement dated May 28, 2018 (the "May 28 Shareholders' Agreement") was entered into among the all above shareholders, which superseded all the previous shareholders' agreement, including the May 4 Shareholders' Agreement.

Set forth below are the key terms of preferred rights granted to all holders mentioned above ("holders of Preferred Securities"):

Upon the written request of each majority series of holders of Preferred Securities, Zhongming/the Company shall redeem all or any portion of the Preferred Securities, at the fourth anniversary of the series C preferred Securities issue date, if no Qualified Initial Public Offering ("QIPO") occurs on or prior to such date. The redemption price shall be paid by Zhongming/the Company to the Preferred Securities holders in an amount calculated by the following ways, whichever is the higher: (i) one hundred percent (100%) of the original issue price on each Preferred Securities, plus the cumulative gain or loss recognized in equity according to the proportion of shares during the period from the issue date of each Preferred Securities until the redemption date; or (ii) one hundred percent (100%) of the original issue price on each Preferred Securities, plus a ten percent (10%) per annum interest of the original issue price on each Preferred Securities accrued during the period from the issue date of each Preferred Securities until the redemption date.

Based on the feature above, the Group designated the above Preferred Securities as financial liabilities at fair value through profit or loss.

Upon completion of the IPO, all preferred rights entitled to the holders of Preferred Securities have been terminated and such holders thereafter hold rights pari passu to all other ordinary shareholders.

27 FINANCIAL INSTRUMENTS WITH PREFERRED RIGHTS (continued)

The movement of the financial instruments with preferred rights is set out as below:

	RMB'000
At January 1, 2017	4,202,425
Change in fair value	1,049,907
At December 31, 2017 and January 1, 2018	5,252,332
Issuance	817,043
Change in fair value	(365,610)
Effect of exchange rate fluctuations	692,628
Termination of preferred rights upon completion of IPO	(6,396,393)
At December 31, 2018	—

The movement of the Company's financial instruments with preferred rights is set out as below:

	RMB'000
Balance at February 9, 2018 (date of incorporation)	—
Issuance	8,366,637
Change in fair value	(2,662,872)
Effect of exchange rate fluctuations	692,628
Termination of preferred rights upon completion of IPO	(6,396,393)
At December 31, 2018	—

As all the preferred rights attaching to the financial instruments were terminated upon the listing of shares on the Stock Exchange and there is no additional lockup period after listed as contracted other than 180-day lockup period stipulated by the Listing Rules, the management estimated the fair value of the financial instruments on the date of IPO was the number of ordinary shares with preferred rights and the closing price of the shares of November 27, 2018.

The management have used the discounted cash flow method to determine the underlying share value of Zhongming before May 4, 2018 and the Company after its incorporation and adopted equity allocation model to determine the fair value of the financial instruments with preferred rights as of December 31, 2017.

	2017
Discount rate	19%
Risk-free interest rate	3.84%
Volatility	39%

Discount rate was estimated by weighted average cost of capital as of each valuation date. The management estimated the risk-free interest rate based on the yield of China or US Government Bonds with a maturity life closed to period from the respective valuation dates to the expected redemption dates and liquidation dates. Volatility was estimated on each valuation date based on median of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected redemption dates and liquidation dates. Probability weight under each of the IPO, liquidation and redemption scenarios was based on the management' best estimates. In addition to the assumptions adopted above, the Group's projections of future performance were also factored into the determination of the fair value of Preferred Securities on each valuation date. Change in fair value of Preferred Securities were recorded in "fair value change of financial liabilities at fair value through profit or loss". The management considered that fair value change in the Preferred Securities that are attributable to changes of credit risk of this liability being not significant.

28 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital and premium

	Number of ordinary shares				
	Without preferred rights	With preferred rights	Total	Share capital in equity RMB'000	Share premium in equity RMB'000
As at February 9, 2018 (date of the Company incorporation)	—	—	—	—	—
Issue of ordinary shares	19,478,750	—	19,478,750	12	—
Issue of ordinary shares with preferred rights	—	55,178,861	55,178,861	—	—
Issue of ordinary share by Capitalization Issue	350,617,500	993,219,498	1,343,836,998	244	(244)
Termination of preferred rights upon completion of IPO	1,048,398,359	(1,048,398,359)	—	729	6,395,664
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	269,993,500	—	269,993,500	187	1,570,368
As at December 31, 2018	1,688,488,109	—	1,688,488,109	1,172	7,965,788

As at December 31, 2017, the Company has not been incorporated and no paid-in capital were recorded.

The Company was incorporated in the Cayman Islands on February 9, 2018 as part of the Reorganization with an initial authorized share capital of US$50,000 divided into 500,000,000 shares with a par value of US$0.0001 each. Immediately after its incorporation, one share was allotted and issued.

In May 2018, Mr. Wang Huainan, through Wang Family Limited Partnership, subscribed 19,478,750 ordinary shares of the Company at a consideration of RMB12,424 (US$1,948). Other shareholders subscribed 55,178,861 ordinary shares of the Company with aggregated consideration of RMB3,535,584,443. The ordinary shares issued to other shareholders are attached with preferred rights pursuant to the Shareholders' Agreement dated May 28, 2018 and are designated as financial instruments with preferred rights (see Note 27).

On November 1, 2018, the authorized share capital of the Company was increased to US$960,000, divided into 9,600,000,000 shares with par value of US$0.0001 each.

Pursuant to written resolutions of the Company's shareholders passed on November 1, 2018, capitalize an amount of US$134,383.6998 standing to the crediting of the share premium account of the Company by applying such sum in paying up in full at par a total of 1,343,836,998 share for allotment and issue to the persons whose names appear on the register of shareholders of the Company on the date of the written resolutions in accordance with their respective shareholding in the Company(the "Capitalization Issue"). The Capitalization Issue was completed on November 27, 2018.

28 CAPITAL, RESERVES AND DIVIDENDS (continued)

(a) Share capital and premium (continued)

On November 27, 2018, the Company issued 250,323,000 ordinary shares with a par value of US$0.0001, at a price of HK$6.8 per share by way of public offering to Hong Kong and overseas investors. On December 20, 2018, the over-allotment option granted to underwriters was exercised and the Company issued 19,670,500 shares with a par value of US$0.0001, at a price of HK$6.8 per share. Net proceeds from these issues amounted to RMB1,570.6 million (after offsetting expenses directly attributable to the issue of shares of RMB58.9 million), out of which RMB0.19 million and RMB1,570.4 million were recorded in share capital and share premium accounts, respectively.

(b) Capital Reserves

(i) For the purpose of the financial statements, the aggregate amount of the paid-in capital of all the entities comprising the Group at December 31, 2017 were recorded as capital reserve, after elimination of investments in subsidiaries.

(ii) On May 23, 2018, Lingheng Investment, an affiliate of Xinxin Xiangrong, subscribed for equity interest in Zhongming in the amount of RMB6,493,053, representing 10.82% of the total registered share capital of Zhongming, and became one of the registered shareholders of Zhongming.

(iii) In 2017, Zhongming acquired the entire equity interest in BabyTree Information from BabyTree Inc. at a cash consideration of RMB2,836,339,600.

For the purpose of the preparation of financial statement, the above consideration of RMB2,836,339,600 in connection with the acquisitions are recorded within equity as deemed distribution arising from reorganization.

(c) Dividends

During the year of 2018, no dividends were declared by the entities comprising the Group to its owners.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Movements in components of equity

The changes of each component of the Group's consolidated equity during the reporting is set out in the consolidated statements of changes in equity. Details of changes in the Company's individual components of equity since its date of incorporation to December 31, 2018 are set out below:

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Translation reserves RMB'000	Retained profit RMB'000	Total RMB'000
Balance at February 9, 2018 (date of incorporation)		—	—	—	—	—	—
Changes in equity for 2018:							
Profit for the period		—	—	—	—	2,652,121	2,652,121
Other comprehensive income		—	—	—	(648,023)	—	(446,397)
Total comprehensive income		—	—	—	(648,023)	2,652,121	2,205,724
Capital injection from owners of the Company	28(a)	12	—	—	—	—	12
Exemption of subsidiaries' liabilities	(i)	—	—	(4,831,055)	—	—	(4,831,055)
Group reorganization	(ii)	—	—	(2,505,872)	—	—	(2,505,872)
Capitalization issue		244	(244)	—	—	—	—
Termination of preferred rights upon completion of IPO	28(a)	729	6,395,664	—	—	—	6,396,393
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	28(a)	187	1,570,368	—	—	—	1,570,555
Balance at December 31, 2018		1,172	7,965,788	(7,336,927)	(648,023)	2,652,121	2,634,131

(i) As part of the Reorganization, the Company issued ordinary shares with preferred rights to the holders mentioned in Note 27 with same terms and removed the preferred rights attached to Zhongming's ordinary shares. The difference between the consideration received for the issuance and the fair value of the financial instrument with preferred rights was deemed to be an exemption of subsidiaries' liabilities and recorded as capital reserve of the Company.

(ii) The amount arose from the acquisition of equity interest in the BabyTree Information from Zhongming during the Reorganization.

As part of the Reorganization, BabyTree Hong Kong, a subsidiary of the Company, acquired of 100% equity interest of BabyTree Information from Zhongming. The difference between the consideration for the acquisition and the book value of BabyTree Information's net assets were recognised as capital reserve.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and structured deposits is limited because the counterparties are banks and financial institutions with a minimum credit rating, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-90 days from the date of billing or within 60-120 days from the date the advertisement posts. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 47.1% (2017: 49.0%) of the total trade receivables was due from the Group's five largest customers. These customers were mainly 4A advertisement agent companies with diversified end-customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2018:

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.4%	337,700	1,351
1 - 90 days past due	5%	18,094	905
91 - 180 days past due	12%	17,402	2,088
181 - 270 days past due	45%	1,172	527
271 - 360 days past due	85%	1,488	1,265
More than 365 days past due	100%	10,283	10,283

Expected loss rates are based on actual loss experience over the past 365 days. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under IAS 39

Prior to January 1, 2018, an impairment loss was recognized only when there was objective evidence of impairment (see Note 2(k)(ii) – policy applicable prior to January 1, 2018). At December 31, 2017, trade receivables of RMB10,988 thousand was determined to be impaired.

Trade debtors that are neither individually nor collectively considered to be impaired amounted to nil (2017: Nil) as at December 31, 2018. It mainly represented the amounts due from the related parties and the management believe the amounts can be recovered in the near future.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 RMB'000	2017 RMB'000
Balance at the beginning of the year under IAS 39	**10,988**	9,463
Impact on initial application of IFRS 9 (Note2(c))	—	—
Adjusted balance at January 1,	**10,988**	9,463
Amounts written off during the year	**(3,096)**	(45)
Impairment loss recognized during the year	**8,527**	1,570
Balance at end of the year	**16,419**	10,988

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As at December 31, 2017, financial instruments with preferred rights were classified as non-current liabilities because the Group believes the likelihood of the occurrence of redemption event is remote.

The undiscounted contractual cash outflows of the Group's non-derivative financial liabilities, which are trade payables, accruals and other payables and contract liabilities, at the end of the reporting period equal to their carrying values and the earliest date the Group can be required to pay is within one year or on demand.

(c) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars, Hong Kong dollars and Euros. The Group manages this risk as follows:

(i) Recognized assets and liabilities

In respect of other trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	2018			2017		
	US$	**RMB**	**HK$**	US$	RMB	HK$
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Prepayments and other receivables	**722**	**2,230**	**—**	165,317	—	—
Cash and cash equivalents	**3,245**	**15,090**	**123,145**	3,216	—	—
Accruals and other payables	**(2,837)**	**—**	**—**	(61,631)	—	—
Short-term investment	**—**	**—**	**68,343**	—	—	—
Net exposure	**1,130**	**17,320**	**191,488**	106,902	—	—

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS
(continued)

(c) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and accumulated loss that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2018		2017	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained earnings RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings RMB'000
USD	**5%**	**57**	5%	5,345
	(5%)	**(57)**	(5%)	(5,345)
RMB	**5%**	**866**	N/A	N/A
	(5%)	**(866)**	N/A	N/A
HKD	**5%**	**9,574**	N/A	N/A
	(5%)	**(9,574)**	N/A	N/A

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2017.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair value measurements of the Group's available-for-sale financial assets (investments in wealth management products), available-for-sale equity securities and financial instruments with preferred rights are categorized into the following level in the fair value hierarchy:

	Fair value at December 31, 2017 RMB'000	Fair value measurement as at December 31, 2017 categories into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Assets				
Short-term Investment	517,556	—	517,556	—
Equity securities	7,323	—	—	7,323
Liability				
Financial instruments with preferred rights	(5,252,332)	—	—	(5,252,332)

	Fair value at December 31, 2018 RMB'000	**Fair value measurement as at December 31, 2018 categories into Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**
Assets				
Short-term Investment	**809,430**	—	**809,430**	—
Equity securities	**25,432**	—	—	**25,432**

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

During the year ended December 31, 2018, there were no transfers between Level 1 and Level 2, or transfers into nor out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurement

Investments in wealth management products are measured at fair values in the consolidated statements of financial position. The Group benchmarks the costs against fair values of comparable investments as of the end of each reporting period, and categorized all fair value measures of bank financial products as Level 2 of the fair value hierarchy because they are valued using directly or indirectly observable inputs in the market place.

Valuation techniques and inputs used in Level 3 fair value measurement

– *Equity securities*

The carrying amount of equity securities are measured at fair values in the consolidated statements of financial position as at December 31, 2017 and 2018. The Group's equity securities are mainly investments in unlisted companies. The Group determine the fair value by reference to the recent transaction pricing for the entities or similar transactions in similar entities in same industry.

As at December 31, 2017, it is estimated that with all other variables held constant, an increase/decrease in the fair values of equity securities by 1% would have decrease/increase the Group's other comprehensive income by RMB0.07 million. As at December 31, 2018, it is estimated that with all other variables held constant, an increase/decrease in the fair values of equity securities by 1% would have decreased/increased the Group's loss before tax by RMB0.25 million as IFRS 9 applied.

The movements of equity securities during the reporting period in the balance of these Level 3 fair value measurements are as follows:

	2018 **RMB'000**	2017 RMB'000
Equity securities:		
At January 1,	**7,323**	4,000
Addition	**18,109**	7,323
Impairment	—	(4,000)
At December 31,	**25,432**	7,323

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Valuation techniques and inputs used in Level 3 fair value measurement (continued)

– *Equity securities* (continued)

The net unrealized gains arising from the remeasurement of the unlisted available-for-sale equity securities during the year of 2017 were recognized in fair value reserve in other comprehensive income under IAS 39. And the fair value change of equity securities during the year of 2018 was recognized to profit or loss under IFRS9.

– *Financial instruments with preferred rights*

The Group adopted an equity allocation model to estimate the fair value of the financial instruments with preferred rights as at December 31, 2017.

Fair value of the financial instruments with preferred rights is affected by changes in the Company's equity value. If the Company's value had increased/decreased by 10% with all other variables held constant, the loss before income tax for the year ended December 31, 2017 would have been approximately RMB152.0 million lower/RMB153.3 million higher.

The movements during the reporting period in the balance of financial instruments with preferred rights were set in Note 27. The remeasurement of the financial instruments with preferred rights are presented in "Fair value change of financial liabilities at fair value through profit or loss" in the consolidated statement of profit or loss.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost were not materially different from their fair values as at December 31, 2017 and 2018.

30 COMMITMENTS

At December 31, 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 **RMB'000**	2017 RMB'000
Within 1 year	**40,596**	21,646
After 1 year but within 5 years	**44,942**	14,428
Total	**85,538**	36,074

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of 1 to 5 years. None of the leases includes contingent rentals.

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	**10,723**	11,707
Post-employment benefits	**437**	394
	11,160	12,101

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Related party balances and transactions

Related party balances

(i) Non-trade balance with related parties:

	Note	**2018 RMB'000**	2017 RMB'000
Amounts due to entities controlled by members of key management personnel	(a)	**(21,842)**	(47,764)
Amounts due from entities controlled by members of key management personnel	(a)	**4,744**	157,317

a During the reporting period, for operational convenience, BabyTree Trading helped the Group to settle the balance of the customers and supplies of international orders. Amount of RMB 153 million of the balance of the end of 2017 in the balance at the end of 2017 were settled in 2018.

The outstanding balances with these related parties are unsecured, interest-free and have no fixed repayment terms. The amounts due to related parties are included in "Accruals and other payables" (Note 24) and the amounts due from related parties are included in "Prepayments and other receivables" (Note 20).

On June 1, 2018, Zhongming granted BabyTree Information a loan in the amount of RMB2,718,538,767, which in turn provided a loan in the same amount to Mr. Wang Huainan. The loan was provided to Mr. Wang to facilitate Mr. Wang's purchase of equity interests in Zhongming from certain shareholders of Zhongming. The loans arrangement was part of the reorganization and detailed described in Note 1, and the loan to Mr. Wang is treated as deemed investment to Zhongming, and eliminated when preparing consolidated financial statements of the Group.

31 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances and transactions (continued)

Related party balances (continued)

(ii) Trade balances with related parties:

	2018 RMB'000	2017 RMB'000
Trade payables	**(793)**	(627)

Related party transactions

The following is a summary of material related party transactions. In the directors' opinion, these transactions were carried out in the ordinary course of business.

	Note	2018 RMB'000	2017 RMB'000
Commission paid for international orders	(i) (a)	**1,350**	3,968
Video production	(ii) (a)	**2,427**	1,671
Advertising service		**23,347**	39
Marketplace revenue		**4,217**	189
Loan from and repaid to related party	6(a)	**49,000**	—
Service revenue		**3,202**	—

a The Group engaged an associate to produce videos during the reporting period.

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2018 RMB'000
Non-current asset		
Investment in subsidiary		**198,313**
		198,313
Current assets		
Prepayments and other receivables		**158,190**
Short-term investment		**480,424**
Cash and cash equivalents		**1,831,462**
		2,470,076
Current liabilities		
Accruals and other payables		**34,258**
		34,258
Net current assets		**2,435,818**
Total assets less current liabilities		**2,634,131**
Net assets		**2,634,131**
Equity		
Share capital	28	**1,172**
Reserves	28(e)	**2,632,959**
Total equity		**2,634,131**

33 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In March 2019, the Group invested 10.81% of registered capital of Vivoiz Healthtech Private Limited ("Healofy") for a total consideration of USD3.0 million. Healofy is a company incorporated in India.

34 COMPARATIVE FIGURES

The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2(c).

(Expressed in RMB unless otherwise indicated)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2018

Up to the date of these financial statement, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended December 31, 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 16, *Leases*	January 1, 2019
IFRIC 23, *Uncertainty over income tax treatments*	January 1, 2019
Amendments to IAS 28, *Long-term interest in associates and joint ventures*	January 1, 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has not identified any aspects of IFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ended June 30, 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

IFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. During the reporting period, all lease contracts are accounted for as operating leases based on the terms of the lease. The Group enters into these leases as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognize and measure a lease liability at the present value of the minimum future lease payments and will recognize a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognize interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognizing rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognized on a systematic basis over the lease term.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2018 (continued)

IFRS 16, Leases (continued)

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for office premises which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognize the cumulative effect of initial application as an adjustment to the opening balance of equity at January 1, 2019 and will not restate the comparative information. As disclosed in Note 30, at December 31, 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB85.5 million for office premises, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Upon the initial adoption of IFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB74.6 million, after taking account the effects of discounting, as at January 1, 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

"AGM"	the annual general meeting of the Company to be held on June 13, 2019;
"Alibaba"	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, the American depositary shares of which are listed on the New York Stock Exchange, including, where the context requires, any of its subsidiaries;
"Articles of Association"	the articles of association of the Company, as amended from time to time;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Audit Committee"	the audit committee of the Company;
"Auditor"	KPMG, the auditor of the Company;
"BabyTree BVI"	BabyTree Holdings Limited, a business company incorporated under the laws of the BVI on February 9, 2018 and a wholly-owned subsidiary of the Company;
"BabyTree Hong Kong"	BabyTree Group Hong Kong Limited, a company incorporated under the laws of Hong Kong on March 5, 2018 and a wholly-owned subsidiary of BabyTree BVI;
"BabyTree Information"	BabyTree (Beijing) Information and Technology Co., Ltd. (寶寶樹(北京)信息技術有限公司), a company established under the laws of the PRC on August 8, 2007 and a wholly-owned subsidiary of BabyTree Hong Kong;
"Beijing Lujin"	Beijing Lujin Technology Development Co., Ltd. (北京鷺金科技發展有限公司), a company established under the laws of the PRC on May 28, 2013;
"Board"	the board of Directors;
"BVI"	the British Virgin Islands;
"CG Code"	the Corporate Governance Code set out in Appendix 14 of the Listing Rules;
"China" or "PRC"	the People's Republic of China and, except where the context requires and only for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan. "Chinese" shall be construed accordingly;
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules;
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time;

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Company", "our Company", "the Company", "BabyTree"	BabyTree Group (寶 寶 樹 集 團), a company incorporated under the laws of the Cayman Islands on February 9, 2018. The term "BabyTree" used by itself shall have the same meaning unless the context requires otherwise;
"connected transaction"	has the meaning ascribed thereto under the Listing Rules;
"Contractual Arrangements"	a series of contractual agreements reached to consolidate our interest in Zhongming entered into among BabyTree Information, Zhongming and its Registered Shareholders during Pre-IPO Reorganization;
"Consolidated Affiliated Entity"	the entity we control through the Contractual Arrangements, being Zhongming;
"Director(s)"	the director(s) of the Company;
"Exclusive Business Cooperation Agreement" ("《獨家業務合作協議》")	an exclusive business cooperation agreement dated May 23, 2018, entered into by and among BabyTree Information, the Registered Shareholders and Zhongming;
"Exclusive Option and Equity Entrustment Agreement" ("《獨家購買權及股權託管協議》")	an exclusive option and equity entrustment agreement dated May 23, 2018, entered into among BabyTree Information, the Registered Shareholders and Zhongming;
"FIL"	the Foreign Investment Law (《中華人民共和國外國投資法》);
"Fosun"	Fosun International Limited and its affiliates, including Startree (BVI) Limited;
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company and an Independent Third Party;
"Global Offering"	the Hong Kong public offering and the international offering in connection with the Listing;
"Group"	our Company and all of our subsidiaries and the Consolidated Affiliated Entity or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries and the Consolidated Affiliated Entity, the businesses operated by such subsidiaries and the Consolidated Affiliated Entity or their predecessors (as the case may be);
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"IFRS"	International Financial Reporting Standards;
"Independent Third Party"	an individual or a company which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules;

"Latest Practicable Date"	April 18, 2019, being the latest practicable date prior to the bulk printing and publication of this annual report;
"Lingheng Investment"	Lingheng Investment Holdings (Beijing) Co., Ltd. (淩恒投資控股(北京)有限公司), a company established under the laws of the PRC on October 29, 2015;
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on November 27, 2018;
"Listing Date"	November 27, 2018, being the date on which the Shares are listed on the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
"Loan Agreement" ("《借款協議》")	a loan agreement dated May 23, 2018, provided by BabyTree Information to Mr. WANG Huainan in the amount of RMB2,718,538,767.21;
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange;
"Meitun Mama"	Meitun Mama (Shanghai) E-commerce Co., Ltd. (美囤媽媽(上海)電子商務有限公司), a company established under the laws of the PRC on October 11, 2014, and a wholly-owned subsidiary of BabyTree Information;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules;
"National People's Congress"	the National People's Congress of People Republic of China (中華人民共和國全國人民代表大會);
"Ningbo Baoshu"	Ningbo Baoshu Investment and Management LLP (寧波寶樹投資管理合夥企業(有限合夥), a limited liability partnership registered in the PRC on December 16, 2015, our employee shareholding platform;
"Ningbo Honghu"	Ningbo Honghu Investment and Management LLP (寧波鴻鵠投資管理合夥企業(有限合夥), a limited liability partnership registered in the PRC on December 16, 2015, our employee shareholding platform;
"Ningbo Meitun"	Ningbo Meitun Mama E-commerce Co., Ltd. (寧波美囤媽媽電子商務有限公司), a company established under the laws of the PRC on September 23, 2015, and a wholly-owned subsidiary of Meitun Mama;
"Ningbo Yimengweima"	Ningbo Yimengweima Enterprise Management Center LLP (寧波以夢為馬企業管理中心(有限合夥)), a limited liability partnership registered in the PRC on January 5, 2017;

"Ningbo Zhishan"	Ningbo Zhishan Zhizhen Investment and Management LLP (寧波至善至臻投資管理合夥企業(有限合夥)), a limited liability partnership registered in the PRC on December 16, 2015, our employee shareholding platform;
"Nomination Committee"	the nomination committee of the Company;
"Powers of Attorney"	an irrevocable powers of attorney dated May 23, 2018 entered into between each of the Registered Shareholders and BabyTree Information;
"PRC" or "China"	People Republic of China;
"PRC Legal Advisors"	Commerce & Finance Law Offices, being the legal advisors to the Company as to the PRC laws;
"Pre-IPO Reorganization"	the corporate reorganization of our Group in preparation for the Listing, particulars of which are set out in the section headed "History, Reorganization and Corporate Structure" in the Prospectus;
"Prospectus"	the prospectus of the Company dated November 15, 2018;
"R&D"	research and development;
"Registered Shareholder(s)"	the shareholders of Zhongming upon completion of the Pre-IPO Reorganization, being Mr. WANG Huainan, Lingheng Investment, Mr. SHAO Zhenping (邵振平), Ningbo Zhishan, Beijing Lujin, Mr. WANG Yawei (王亞偉), Ningbo Honghu, Ningbo Baoshu, Ningbo Yimengweima and Mr. WANG Changying (王長穎);
"Remuneration Committee"	the remuneration committee of the Company;
"RMB"	the lawful currency of the PRC;
"SFO"	the 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 our Company with a par value of US$0.0001 each;
"Shareholder(s)"	holder(s) of the Share(s);
"Share Pledge Agreement" ("《股權質押協議》")	a share pledge agreement dated May 23, 2018, entered into among Zhongming, the Registered Shareholders and BabyTree Information;

"State Council"	the State Council of People Republic of China (中華人民共和國中央人民政府);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance;
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules;
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States;
"we,""us" or "our"	the Company or the Group, as the context requires;
"Wuhan Meitun"	Wuhan Meitun Mama E-commerce Co., Ltd. (武漢美囤媽媽電子商務有限公司), a company established under the laws of PRC with limited liability on April 13, 2017, and a wholly-owned subsidiary of Meitun Mama;
"Zhongming"	Beijing Zhongming Century Science and Technology Co., Ltd. (北京眾鳴世紀科技有限公司), a company incorporated in the PRC and a subsidiary of the Company.

Board of Directors

Executive Directors	Mr. WANG Huainan (Chairman and Chief Executive Officer) Mr. XU Chong
Non-executive Directors	Mr. CHEN Qiyu Mr. WANG Changying Mr. MA Jiangwei Mr. Christian Franz REITERMANN Mr. JING Jie
Independent non-executive Directors	Mr. CHEN Guanglei Ms. CHEN Danxia Mr. De-chao Michael YU Mr. ZHANG Hongjiang
Joint Company Secretaries	Ms. CHEN Hongyou Ms. WU Miu Wah
Authorized Representatives	Mr. XU Chong Ms. CHEN Hongyou
Audit Committee	Mr. CHEN Guanglei (Chairman) Mr. ZHANG Hongjiang Mr. De-chao Michael YU
Remuneration Committee	Ms. CHEN Danxia (Chairwoman) Mr. De-chao Michael YU Mr. CHEN Guanglei Mr. WANG Huainan Mr. XU Chong
Nomination Committee	Mr. WANG Huainan (Chairman) Mr. De-chao Michael YU Mr. ZHANG Hongjiang
Independent Auditor	KPMG *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong

Compliance Adviser	Haitong International Capital Limited 8/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Hong Kong Legal Advisor	Miao & Co. (In Association with Han Kun Law Offices) Rooms 3901-05, 39/F Edinburgh Tower, The Landmark 15 Queen's Road Central Hong Kong
Registered Office	The Offices of Maples Corporate Services Limited P.O. Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Corporate Headquarters	6th Floor, Building A, Borui Plaza No. 26 North Road of East Third Ring Chaoyang District Beijing PRC
Principal Place of Business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Share Registrar in Cayman Islands	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square, Grand Cayman KY1-1102, Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Principal Bank	China Merchants Bank, Beijing Guanghua Road Branch F2 Kerry Shopping Mall No. 1 Guanghua Road Beijing PRC
Company's Website	*ir.babytree.com*

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We are where FAMILIES are.