Duiba Group

# 兑吧集团有限公司

## Duiba Group Limited

(Incorporated in the Cayman Islands with limited liability)

# Interim Report 2019

Stock Code: 1753

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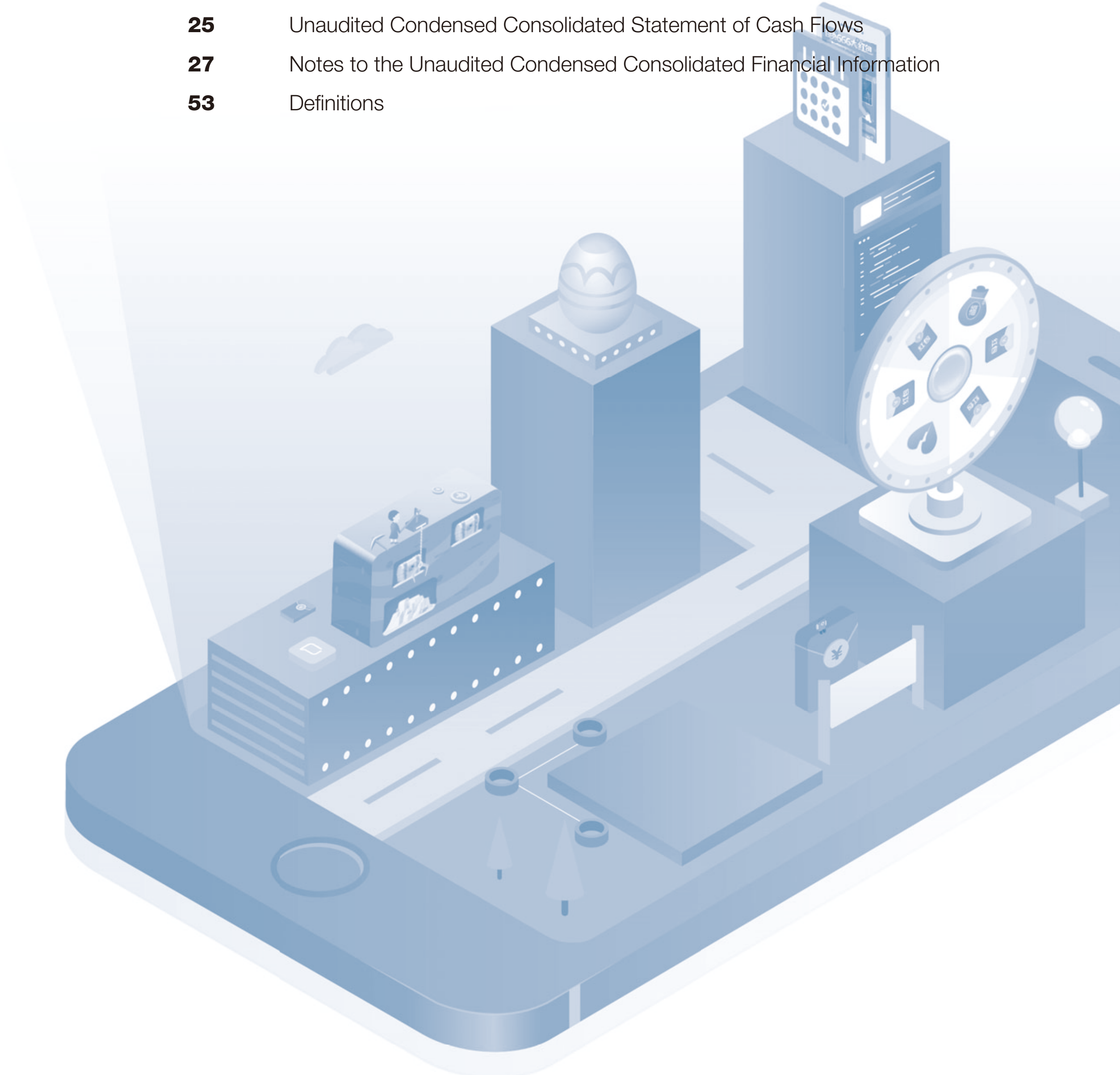

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chen Xiaoliang *(Chairman of the Board and Chief Executive Officer)*
Mr. Fang Hua
Mr. Xu Hengfei
Mr. Zhu Jiangbo

### Non-executive Directors

Mr. Huang Tao
Mr. Sun Qiang Chang

### Independent Non-executive Directors

Mr. Kam Wai Man
Dr. Ou-Yang Hui
Dr. Gao Fuping

## AUDIT COMMITTEE

Mr. Kam Wai Man *(Chairman)*
Dr. Ou-Yang Hui
Dr. Gao Fuping

## REMUNERATION COMMITTEE

Dr. Ou-Yang Hui *(Chairman)*
Dr. Gao Fuping
Mr. Kam Wai Man
Mr. Zhu Jiangbo

## NOMINATION COMMITTEE

Mr. Chen Xiaoliang *(Chairman)*
Dr. Ou-Yang Hui
Dr. Gao Fuping
Mr. Kam Wai Man

## AUTHORIZED REPRESENTATIVES

Mr. Chen Xiaoliang
Ms. Ng Ka Man

## JOINT COMPANY SECRETARIES

Mr. Wang Saibin
Ms. Ng Ka Man

## LEGAL ADVISORS

As to Hong Kong law:
Allen & Overy
9/F, Three Exchange Square
Central
Hong Kong

As to Cayman Islands law:
Conyers Dill & Pearman
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

## AUDITOR

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

## COMPLIANCE ADVISOR

Sinolink Securities (Hong Kong) Company Limited
Units 2503, 2505-06, 25/F
Low Block Grand Millennium Plaza
181 Queen’s Road Central
Hong Kong

# Corporate Information

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

## PRINCIPAL PLACE OF BUSINESS IN CHINA
Room 702, Shuyu Building
98 Wenyi West Road
Xihu District
Hangzhou
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG
31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

## HONG KONG SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## PRINCIPAL BANK
Hua Xia Bank (Hi-tech Branch)
123, Wenyi Road
Xihu District
Hangzhou
China

## COMPANY'S WEBSITE
http://www.duiba.cn/

## STOCK CODE
1753

## DATE OF LISTING
7 May 2019

# Financial and Operational Data Highlights

## FINANCIAL DATA HIGHLIGHTS

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Revenue | | |
| User management SaaS platform business | **10,660** | 3,278 |
| Interactive advertising business | **769,560** | 461,895 |
| Others | **74** | 9,247 |
| **Total** | **780,294** | 474,420 |

For the six months ended 30 June 2019, our revenue increased by 64.5% compared with the same period of 2018.

### Non-HKFRS Measure

The following table reconciles our adjusted profit for the periods presented to the most directly comparable financial measure calculated and presented in accordance with HKFRSs:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Loss for the period | **(382,443)** | (256,251) |
| *Add:* | | |
| Share-based payment | **8,983** | 5,752 |
| Listing expenses | **32,243** | 10,748 |
| Changes in fair value of financial liabilities at fair value through profit or loss | **467,675** | 304,942 |
| Finance costs [(1)] | **–** | 5,772 |
| **Adjusted profit for the period [(2)]** | **126,458** | 70,963 |

*Notes:*

(1) During the six months ended 30 June 2018, the finance costs represented dividends the Company paid to the holders of its redeemable preference shares. Such expenses did not recur after the conversion of the redeemable preference shares into ordinary shares which took place immediately before our listing.

(2) We define "adjusted profit for the period" as profit for the period, adding back share-based payment, listing expenses, changes in fair value of financial liabilities at fair value through profit or loss, and finance costs. Adjusted profit for the period is not a measure required by or presented in accordance with HKFRSs. The use of adjusted profit for the period has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRSs.

Financial and Operational Data Highlights

## OPERATIONAL DATA HIGHLIGHTS

We are a user management SaaS provider for online businesses and a leading interactive advertising platform operator in China. Our key operational data are as follows:

### User management SaaS platform business

| | As at 31 December | | | As at 30 June | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | **2019** |
| Number of registered mobile apps[1] | >4,500 | >10,000 | >14,000 | >12,000 | **>16,000** |

As at 30 June 2019, 568 paying customers including 415 app developers (which are online businesses) and 153 offline businesses had used our charged user management SaaS services, and we recorded revenue of RMB10.7 million for the six months ended 30 June 2019 from such business.

### Interactive advertising business

| | For the year ended 31 December | | | For the six months ended 30 June | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | **2019** |
| DAUs (millions)[2] | 0.6 | 7.7 | 20.5 | 16.9 | **29.9** |
| MAUs (millions)[2] | 19.1 | 107.6 | 284.7 | 223.2 | **402.2** |
| Advertising page views (millions)[3] | 95.2 | 6,765.2 | 14,523.8 | 5,671.8 | **9,733.8** |
| Number of chargeable clicks (millions)[4] | 30.8 | 1,850.9 | 3,819.9 | 1,776.2 | **2,583.4** |
| Under CPC model (millions) | N/A | 1,580.6 | 3,072.2 | 1,390.4 | **2,125.9** |
| Others (millions) | N/A | 270.3 | 747.7 | 385.8 | **457.5** |
| Click-through rate[5] | 32.4% | 27.4% | 26.3% | 31.3% | **26.5%** |
| Average revenue per chargeable click under the CPC model (RMB) | N/A | 0.36 | 0.35 | 0.32 | **0.34** |

*Notes:*

(1) The number of registered mobile apps includes only mobile apps that have access to our comprehensive user management SaaS solutions.

(2) DAUs and MAUs refer to the average number of active users contributed by our HTML5 interactive advertising pages for the periods indicated and not the average active users of the content distribution channels.

(3) Advertising page views are the total number of page views of our HTML5 interactive advertising pages for the periods indicated.

(4) Chargeable clicks are the total number of times users are directed to the mobile internet pages designated by advertisers for the periods indicated.

(5) Click-through rate is calculated as the number of chargeable clicks divided by the number of advertising page views for the periods indicated.

# Financial and Operational Data Highlights

| | For the year ended 31 December | For the six months ended 30 June | |
|---|---|---|---|
| | 2018 | 2018 | **2019** |
| Content distribution channels | 4,065 | 2,145 | **4,846** |
| Ultimate advertisers | 2,938 | 1,750 | **2,475** |

For the six months ended 30 June 2019, we had placed interactive advertisements on 4,846 content distribution channels, mainly comprising mobile apps, and our interactive advertising business served 2,475 ultimate advertisers (either through advertising agent customers or as our direct customers).

# Management Discussion and Analysis

## BUSINESS REVIEW

Established in Hangzhou in 2014, Duiba firstly developed the user management SaaS platform and then the interactive advertising platform as the Group's main business models. Adhering to the mission of becoming the preferred business partner of enterprises, the Group is committed to providing full-cycle services in user acquisition, retention and monetization. This unique business model together with strong synergies between user management SaaS platform and interactive advertising platform laid a solid foundation for the Group to capture rapid and sustainable growth.

### 1. User Management SaaS Business

Our user management SaaS platform is designed to help businesses attract and retain online users in a cost-effective manner, by offering various fun and engaging user management tools including reward points operation tools, marketing campaign tools and check-in tools to boost mobile app user activity and participation on apps. As at 30 June 2019, the number of mobile apps registered with the Group increased to more than 16,000 (30 June 2018: more than 12,000), reaching more than 1.3 billion mobile app users. Having initially launched our user management SaaS platform on a free-of-charge model in order to expand our customer base, we began charging for our user management SaaS solutions on a pilot basis in April 2018. Meanwhile, we have been extending user management SaaS solutions to serve offline enterprises.

As at 30 June 2019, paying customers which used our charged user management SaaS services increased to 568 (30 June 2018:101) including 415 app developers which are online businesses and 153 offline businesses. Since April 2018, the average charge per paying customer of online businesses, large offline business and small offline business was about RMB31,000, RMB110,000 and RMB13,000, respectively. Revenue generated from our user management SaaS business increased significantly by 225.2% to RMB10.7 million during the Reporting Period (1H2018: RMB3.3 million).

The sales and marketing strategy of our user management SaaS business for offline businesses is to actively explore cooperation opportunities with top brands in sectors including retailing, catering, banking and new media. We currently cover a wide variety of different user traffic, and accumulated mainstream and high-quality customers such as large leading apps, WeChat's public accounts and top brands in offline businesses. These businesses have a large user base and demand for user management SaaS services, and we believe they present a great untapped potential.

### 2. Interactive Advertising Business

In 2015, the Group pioneered and launched interactive advertising business, which aggregates the traffic of different app scenarios, systematically manages content activities, and achieves large-scale monetization through advertisements, thereby achieving a win-win situation for each of the advertisers, media partners and users. Advanced big data analytics and AI technology also provides robust support to the innovation and operations of our interactive advertising platform. We generally charge our interactive advertising customers based on the performance of advertisements. The majority of our revenue from our interactive advertising business during the Reporting Period was generated from the CPC model under which we charged customers only if viewers interacted with our advertising tools and were directed to the mobile internet page designated by the advertisers.

For the six months ended 30 June 2019, the revenue from our interactive advertising business surged by 66.6% to RMB769.6 million (1H2018: RMB461.9 million). Our advertising page views surged to 9,733.8 million (1H2018: 5,671.8 million). This business maintained rapid growth and remained a major growth driver of the Group.

The innovative interactive advertising has given the Group a first-mover advantage and scale advantage. During the Reporting Period, our interactive advertising business served 2,475 ultimate advertisers (either through advertising agent customers or as our direct customers). The DAU grew to 29.9 million (1H2018: 16.9 million) while the MAU grew to 402.2 million (1H2018: 223.2 million). We will continue to maintain our scale advantage and efficiency of data, algorithm and operations.

During the Reporting Period, we had placed interactive advertisements on 4,846 content distribution channels, comprising not only mobile apps but also certain offline channels such as the payment channel consolidation service providers, and the number is expected to further increase in the future. In terms of monetization of user traffic, we believe diversified user traffic outperforms traffic purely on vertical platforms. With diversified traffic provided by various content distribution channels, we are able to obtain more data and user tags, and improve our advertisement performance by using such tags. Going forward, we will make persistent efforts to enhance the efficiency of monetization of content distribution channels.

As at 30 June 2019, 92% of our interactive advertising platform's audience came from non-tier-one cities. As a result, the Group will benefit from the incremental value of advertisements targeted at consumers in these non-tier-one cities with increasing consumption penetration. Currently, advertisers such as financial enterprises and e-commerce platforms with increased penetration to lower tier cities will increase their spending on interactive advertisement, which will be a key driver for our growth in this year.

The Group has made persistent efforts to upgrade its advertising technology capability. For example, we have strong operational capability by continuously improving and optimizing our algorithms. We provide automated and customized services to both content distribution channels and advertisers online through our interactive advertising platform consisting of the media management platform and the smart advertising system. As at 30 June 2019, we had designed a total of 11,448 advertising campaigns, most of which were the first-of-their-kind on the market. During the Reporting Period, in terms of our interactive advertising business, the average revenue per chargeable click under the CPC model and the average CTR (click through rate) reached at RMB0.34 (1H2018: RMB0.32) and 26.5% (1H2018: 31.3%), respectively.

### 3. Research and Development

During the Reporting Period, the Group continued to investment in research and development. The Group recorded a 24.3% increase in its research and development expenses from RMB42.4 million in 1H2018 to RMB52.7 million in 1H2019. As the main profitable business, our interactive advertising business was constantly improving driven by innovation. Our advertisement was evolved to be more interactive, in order to achieve more efficient user transformation and improve our competitiveness in the advertising industry. In order to reform finance enterprise's user management SaaS solutions, we launched "Star Speed Station", which has integrated the powerful features of localized deployment, the shortening of development cycle and the data accumulation.

## FINANCIAL REVIEW

During the Reporting Period, we have achieved strong financial performance and enhanced our leading position in our two business segments, which was attributable to our visionary, insightful and creative management team, superior innovation capability, advanced big data analytics and AI capabilities, as well as extensive business partner network.

### Revenue

For the six months ended 30 June 2019, the Group recorded a total revenue of RMB780.3 million (1H2018: RMB474.4 million), which increased by 64.5% from the same period of last year. Such increase was primarily attributable to the 66.6%, or RMB307.7 million, growth in the revenue from our interactive advertising business during the Reporting Period as compared with 1H2018, which was further driven by the increases in advertising page views and number of chargeable clicks from 5,671.8 million to 9,733.8 million and 1,776.2 million to 2,583.4 million, respectively, as a result of the increased number of advertisers and advertisers' increasing spending on the Group's interactive advertising platform.

The revenue from our user management SaaS platform business also recorded an increase of 225.2%, or RMB7.4 million, during the Reporting Period as compared to 1H2018, mainly due to the increased number of paying customers.

### Gross Profit

During the Reporting Period, the Group recorded gross profit of RMB244.3 million (1H2018: RMB175.1 million), which increased approximately 39.5%. Its gross profit margin was approximately 31.3% (1H2018: approximately 36.9%), mainly because the Group was strengthening steady and rapid growth of quality traffic as well as the stickiness of advertisers through achieving a more moderate gross profit margin. The Group aimed to better serve advertisers and stimulate an increase in advertising budget, through improving advertisement performance. During the Reporting Period, for improving advertisement performance, on one hand, the Group continued to increase the procurement of premium quality traffic from the core leading content distribution channels and slightly increased the revenue sharing ratio, on the other hand, the Group purposefully adjusted the incentive strategy for the core leading advertisers. Despite slowdown growth of the macro environment and advertising industry, the Group was still capable of maintaining rapid revenue growth with decent profitability, and remained confident in its prospect.

### Selling and Distribution Expenses

For the six months ended 30 June 2019, the Group recorded selling and distribution expenses of RMB53.9 million. Meanwhile, selling and distribution expenses as a percentage of our total revenue decreased to approximately 6.9% (1H2018: approximately 9.1%) mainly due to greater economies of scale.

### Administrative Expenses

For the six months ended 30 June 2019, the Group recorded administrative expenses of RMB118.2 million, representing an increase of 37.8% compared to RMB85.8 million for the 1H2018, primarily due to the listing expense at the amount of RMB32.2 million (1H2018: RMB10.7 million) incurred in the first half of 2019. Meanwhile, administrative expenses as a percentage of our total revenue decreased to approximately 15.2% (1H2018: approximately 18.1%) mainly due to improvement of management efficiency.

### Loss for the Period

For the six months ended 30 June 2019, loss attributable to the owners of the parent amounted to RMB382.4 million (1H2018: RMB256.3 million). Basic loss per share increased to RMB(50) cents (1H2018: RMB(37) cents), mainly due to the significant increase in changes on fair value of financial liabilities at fair value through profit or loss.

### Adjusted Profit for the Period

For the six months ended 30 June 2019, the Group recorded adjusted profit of RMB126.5 million (1H2018: RMB71.0 million), representing a growth of 78.2%. Our adjusted net profit margin increased to 16.2% (1H2018: 15.0%), mainly due to greater economies of scale and the improvement of management efficiency.

### Changes in Fair Value of Financial Liabilities at Fair Value through Profit or Loss

The loss we recognised from the change in fair value of financial liabilities at fair value through profit or loss increased from RMB304.9 million for the 1H2018 to RMB467.7 million during the Reporting Period, primarily due to the significant increase in our business value.

### Gearing Ratio

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes trade payables, advances from customers, other payables and accruals, tax payable, lease liabilities, financial liabilities at fair value through profit or loss, less cash and cash equivalents. As at 30 June 2019, the Group's gearing ratio was approximately 1.9% as compared to approximately 233.7% as at 30 June 2018 primarily due to the conversion of the preference shares, which were accounted for as financial liabilities at fair value through profit or loss, into ordinary shares prior to the listing of our Shares on the Stock Exchange on 7 May 2019.

### Cash Flows

For the six months ended 30 June 2019, our net cash inflow generated from operating activities was RMB200.0 million (1H2018: RMB18.6 million), representing an increase of 974.5%. Our net cash inflow used in investing activities was RMB873.4 million (1H2018: RMB66.0 million) representing an increase of 1,224% compared with the corresponding period in 2018, primarily due to the purchases of financial assets at fair value through profit or loss at the amount of RMB1,738.1 million (1H2018: RMB683.4 million). Our net cash flow generated from financing activities was RMB543.4 million (1H2018: RMB403.6 million), primarily due to the proceeds from issue of Shares under our initial public offering.

### Liquidity and Capital Structure

During the Reporting Period, the daily working capital of the Group was primarily derived from internally generated cash flow from operations and our initial public offering proceeds. As at 30 June 2019, the Group had cash and cash equivalents of approximately RMB159.9 million. We did not have any unutilized banking facilities as at 30 June 2019, and we do not intend to raise material external debt financing in the near future.

### Foreign Exchange Risk Management

The Group has transactional currency exposures. Such exposures arise from the issue of share in currencies different from the operating units' functional currencies. At present, the Group does not intend to hedge its exposure to foreign exchange fluctuations. However, the management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

### Material Acquisitions, Disposals and Significant Investment

There were no material acquisitions, disposals or significant investment of the Group from Listing Date to 30 June 2019.

### Contingent Liabilities

As at 30 June 2019, the Group did not have any unrecorded contingent liabilities or guarantees (2018: nil).

## ORGANIZATION AND TALENT RETENTION

As at 30 June 2019, the Group's workforce reached 620 employees, including 242 sales employees, 56 administration employees and 322 research and development employees. Identification and development of high-potential talents will be our top priority for the management in coming years.

Our success depends on our ability to attract, retain and motivate qualified personnel. We offer our employees competitive compensation packages and a collegial and creative working environment, and as a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team. We compensate our employees with basic salaries, performance-based bonuses and provided greater incentives to talents by issuing them with share award of the Group.

## SOCIAL RESPONSIBILITY

During the Reporting Period, the Group has upheld the principle of "serving the people and giving back to society" through continuous and strong supporting to charity projects. The Group has actively responded to charity initiatives and successfully completed the "Warmth in winter, Guardian of small wishes" project in collaboration with the Xiangshan Charity Federation in Ningbo. By partnering with numerous charities, the Group has been able to utilize its in-house internet advantages to help several public welfare initiatives, including: Hangzhou Net Volunteer Branch Association's "6.1 Children's Day small wishes" project and the Hangzhou Children's Welfare Institute's "Walking with love, Caring for Children" project. In the future, the Group will continue to participate in public welfare activities, promote local economic developments and help more people in need.

## FUTURE OUTLOOK

As the leader and pioneer in user management SaaS business and interactive advertising business in China, we will continue to utilize our professionalism and commitment to comprehensively bolster our service standards and quality. We will help more enterprises in user acquisition, retention and monetization. According to iResearch, the market size of user management SaaS for both online and offline business in China is expected to grow rapidly to RMB41.9 billion in 2023, representing a CAGR of 56.8% from 2018, while the market size of interactive advertising business in China is expected to grow rapidly to RMB13.5 billion in 2023, representing a CAGR of 44.5% from 2018. Both are massive and unexplored markets where we have already gained a substantial head start. We are committed to retaining the leading position in user management SaaS business and interactive advertising technology in China.

## INTERIM DIVIDEND

The Board has resolved to recommend the declaration and payment of interim dividend in cash in aggregate of approximately RMB99.8 million (based on the number of Shares in issue as at the date of this report) representing RMB 9 cents per Share, which accounted for 48.6% of our adjusted profit for 2018 (namely, our profit for the year, adding back share based payment, listing expenses, changes in fair value of financial liabilities at fair value through profit or loss, and finance costs). Such proposed interim dividend will be declared and paid out of the share premium of the Company and thus is subject to the Shareholders' approval at the extraordinary general meeting scheduled to be held on 9 September 2019.

For details of the declaration and payment of the interim dividend and the notice of the extraordinary general meeting, please refer to the circular of the Company dated 19 August 2019.

## SUBSEQUENT EVENT

There are no significant subsequent events undertaken by the Group after 30 June 2019.

# Corporate Governance/Other Information

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. Save as disclosed in this report, the Company has complied with all applicable code provisions under the CG Code during the Relevant Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate, and should not be performed by the same individual.

At present, the roles of the chairman of the Board and the chief executive officer of the Company are performed by Mr. Chen Xiaoliang. The Board believes that Mr. Chen Xiaoliang should continue to assume the responsibilities of the chairman of the Board and the chief executive office of the Company as this arrangement will improve the efficiency of our decision-making and execution process given his familiarity with our Group.

During the daily operations of the Company, all material decisions are approved by the Board and the relevant board committees, as well as the senior management team. In addition, the Directors proactively participate in all board meetings and all relevant board committee meetings, and the Chairman ensures all the Directors are duly informed of all the matters to be approved at the meetings. In addition, the senior management team provides the Board with sufficient, clear, complete and reliable company information on a regular basis and from time to time. The Board also regularly meets and reviews the operations of the Company under the leadership of Mr. Chen Xiaoliang on a quarterly basis.

The Board is therefore of the view that there is an adequate balance of power and that appropriate safeguards are in place. The dual roles of Mr. Chen Xiaoliang have no effect on the balance of power and authority between Board and the Company's senior management team. The Board will continue to regularly monitor and review the Company's current corporate governance structure and to make necessary changes when appropriate.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions since the Listing Date. Having made specific enquiries with the Directors, all of the Directors confirmed that he/she have complied with the required standards as set out in the Model Code during the Relevant Period.

## AUDIT COMMITTEE

The Board has established the Audit Committee, which comprised of independent non-executive Directors, namely Mr. Kam Wai Man (Chairman), Dr. Ou-Yang Hui and Dr. Gao Fuping. The primary duties of the Audit Committee are to provide the Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Directors.

The Audit Committee, together with management has reviewed the Group's consolidated interim results for the six months ended 30 June 2019. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

## CHANGES TO DIRECTORS' INFORMATION

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Relevant Period, as the Board considered that the trading price of the Shares did not reflect their intrinsic value, the share repurchase program could reflect the Board's confidence in the Company's development prospects. The total number of Shares repurchased by the Company on the Stock Exchange during the Relevant Period was 833,600 at a total consideration (before expenses) of HK$3,785,733.96. The 833,600 repurchased Shares have not been cancelled as at the date of the disclosure of the interim report.

Details of the repurchases are as follows:

| Month | Total number of Shares repurchased | Highest purchase price per Share (HK$) | Lowest purchase price per Share (HK$) | Total consideration (before expenses) (HK$) |
|---|---|---|---|---|
| June | 833,600 | 4.73 | 4.32 | 3,785,733.96 |

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Relevant Period.

## USE OF NET PROCEEDS FROM LISTING

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date by way of a global offering at the offering price of HK$6.0 per Share, raising the IPO Proceeds of approximately a HK$569.5 million (equivalent to RMB490.5 million) after deducting professional fees, underwriting commissions and other related listing expenses.

As stated in the Prospectus, we intend to use the IPO Proceeds in the following manner:

- approximately 37% or RMB180.2 million for the enhancement of our research and development function;
- approximately 25% or RMB125.1 million for the enhancement of our sales and marketing function;
- approximately 8% or RMB38.1 million for the enhancement of our operational function;

- approximately 20% or RMB98.1 million for the investment into and acquiring companies and businesses that are relevant or complementary to our business and technologies, in order to support our growth strategies; and

- approximately 10% or RMB49.0 million for working capital and other general corporate purposes.

Since the Listing Date and up to 30 June 2019, the Group had not utilized any IPO Proceeds. The Group expects to gradually utilize the IPO Proceeds in accordance with the intended purposes in the second half of the year 2019 as disclosed above.

The following table sets forth a breakdown of the IPO Proceeds to be applied for the period indicated:

| | 2019 | 2020 | 2021 | Total |
|---|---|---|---|---|
| | | (in millions of RMB) | | |
| *Research and development:* | | | | |
| – business-specific staff recruitment | 14.2 | 27.3 | 40.7 | 82.2 |
| – investment in servers | 17.8 | 15.3 | 8.0 | 41.1 |
| – improvement in technology infrastructure | 4.7 | 11.8 | 17.6 | 34.1 |
| – research and development center | – | 11.4 | 11.4 | 22.8 |
| **Subtotal** | 36.7 | 65.8 | 77.7 | 180.2 |
| *Sales and marketing:* | | | | |
| – business-specific staff recruitment | 7.7 | 15.1 | 23.2 | 46.0 |
| – marketing initiatives | 15.8 | 28.0 | 35.3 | 79.1 |
| **Subtotal** | 23.4 | 43.1 | 58.5 | 125.1 |
| *Operations:* | | | | |
| – business-specific staff recruitment | 6.1 | 9.2 | 13.8 | 29.1 |
| – operational facilities | 1.9 | 2.8 | 4.3 | 9.0 |
| **Subtotal** | 8.0 | 12.0 | 18.1 | 38.1 |
| *Acquisitions* | – | – | – | 98.1 |
| *Working capital* | 29.4 | 19.6 | – | 49.0 |

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

As at 30 June 2019, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as 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 were as follows:

| Name of Directors | Capacity/ Nature of Interest | Number of Shares [(1)] | Approximate percentage of interest in the Company |
|---|---|---|---|
| Mr. Chen Xiaoliang ("Mr. Chen")[(2)] | Founder of a discretionary trust and interest of controlled corporations | 542,609,100 (L) | 48.83% |
| Mr. Xu Hengfei ("Mr. Xu")[(3)] | Interest of controlled corporation | 27,824,400 (L) | 2.50% |
| Mr. Fang Hua ("Mr. Fang")[(4)] | Interest of controlled corporation | 13,699,800 (L) | 1.23% |

*Notes:*

(1) The letter "L" denotes "long position" (as defined under Part XV of the SFO) of the relevant person/entity in such Shares.

(2) The disclosed interest represents (i) his deemed interest in the 454,552,000 Shares held by XL Holding Limited, which is wholly owned by CMB Wing Lung (Trustee) Limited as trustee for the Chen's Family Trust through Antopex Limited and Blissful Plus Enterprises Limited (as nominees for CMB Wing Lung (Trustee) Limited); (ii) his deemed interest in the 68,057,100 Shares held by Kewei Holding Limited as its sole director; and (iii) his deemed interest in the 20,000,000 Shares held by Duiba Kewei (BVI) Limited as its sole shareholder.

(3) Mr. Xu is an executive Director and our chief technology officer. He is deemed to be interested in the 27,824,400 Shares held by Hengfei Holding Limited, a company incorporated in the BVI and wholly owned by Mr. Xu.

(4) Mr. Fang is an executive Director and our chief product officer. He is deemed to be interested in the 13,699,800 Shares held by Fanghua Holding Limited, a company incorporated in the BVI and wholly owned by Mr. Fang.

Save as disclosed above, as at 30 June 2019, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as 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.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the Relevant Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

As at 30 June 2019, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

| Name of Shareholders | Capacity/Nature of Interest | Number of Shares (1) | Approximate percentage of interest in the Company |
|---|---|---|---|
| CMB Wing Lung (Trustee) Limited(2) | Trustee of a trust | 454,552,000 (L) | 40.91% |
| Antopex Limited(2) | Nominee for another person | 454,552,000 (L) | 40.91% |
| Blissful Plus Enterprises Limited(2) | Interest of controlled corporation | 454,552,000 (L) | 40.91% |
| XL Holding Limited(2) | Beneficial owner | 454,552,000 (L) | 40.91% |
| Kewei Holding Limited(3) | Beneficial owner | 68,057,100 (L) | 6.13% |
| Rising Union Limited(4) | Beneficial owner | 133,000,000 (L) | 11.97% |
| TPG Growth IV SF Pte. Ltd.(5) | Beneficial owner | 57,000,000 (L) | 5.13% |
| Xinran Group Holding Limited(6) | Beneficial owner | 73,055,700 (L) | 6.58% |
| Mr. Liu Yang ("Mr. Liu")(6) | Interest of controlled corporation | 73,055,700 (L) | 6.58% |

*Notes:*

(1) The letter "L" denotes the "long position" (as defined under Part XV of the SFO) of the relevant person/entity in such Shares.

(2) CMB Wing Lung (Trustee) Limited (as trustee of the Chen's Family Trust) holds the entire issued share capital of XL Holding Limited, through Antopex Limited (as nominee for CMB Wing Lung (Trustee) Limited) and Blissful Plus Enterprises Limited. Blissful Plus Enterprises Limited in turn holds the entire issued share capital of XL Holding. The Chen's Family Trust is a discretionary trust established by Mr. Chen Xiaoliang (as settlor) and its discretionary objects are Mr. Chen Xiaoliang and his family members. Accordingly, each of Mr. Chen Xiaoliang, CMB Wing Lung (Trustee) Limited, Antopex Limited and Blissful Plus Enterprises Limited is deemed to be interested in the 454,552,000 Shares held by XL Holding.

(3) Kewei Holding Limited is a company incorporated in the BVI and owned by certain employees of our Group. Among other shareholders, it was owned as to, (i) 21.5% by Mr. Chen Xiaoliang, our Chairman, CEO and an executive Director, (ii) 7.9% by Mr. Zhu Jiangbo, an executive Director. Mr. Chen Xiaoliang is the sole director of Kewei Holding Limited as at 30 June 2019.

(4) Rising Union Limited, a limited liability company incorporated in the BVI, is owned as to (i) 93% by Orchid Asia VII, L.P. ("**OA7"**), and (ii) 7% by Orchid Asia VII Co-Investment, Limited ("**OA-Co**"), both of which are controlled by Areo Holdings Limited. OA7 is principally engaged in equity investments in private companies, and OA-Co is an entity incorporated to invest alongside with OA7. According to the disclosure of interests notice filed by Areo Holdings Limited dated 7 May 2019, Areo Holdings Limited controls Rising Union Limited through its controlled corporations, namely OAVII Holdings, L.P., Orchid Asia VII GP, Limited, Orchid Asia V Group Management, Limited and Orchid Asia V Group, Limited. Mr. Gabriel Li is the sole director of Rising Union Limited and is deemed to be interested in the 133,000,000 Shares held by Rising Union Limited. Ms. Lam Lai Ming is the spouse of Mr. Gabriel Li. Accordingly, each of OA7, OAVII Holdings, L.P., Orchid Asia VII GP, Limited, Orchid Asia V Group Management, Limited, Orchid Asia V Group, Limited, Areo Holdings Limited, Mr. Gabriel Li and Ms. Lam Lai Ming is deemed to be interested in the 133,000,000 Shares held by Rising Union Limited.

(5) TPG Growth IV SF Pte. Ltd. is a limited liability company incorporated in the Republic of Singapore. TPG Growth IV SF Pte. Ltd. is an affiliate of TPG Growth. TPG Growth IV SF Pte. Ltd. is 100% indirectly wholly owned by TPG Growth IV Advisors, Inc. through TPG Growth IV Finance, L.P. Each of Mr. David Bonderman and Mr. James George Coulter has 50% control of TPG Growth IV Advisors, Inc.

(6) Xinran Group Holding Limited, a company incorporated in the BVI, is wholly-owned by Mr. Liu. Therefore, Mr. Liu is deemed to be interested in the 73,055,700 Shares held by Xinran Group Holding Limited.

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## SHARE OPTION SCHEME

A post-IPO share option scheme was approved and adopted by the Shareholders on 17 April 2019 and became effective upon the listing of our Shares on the Main Board of the Stock Exchange (the "Share Option Scheme").

The purpose of the Share Option Scheme is to incentivize and reward the eligible persons for their contribution to our Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.

From the Listing Date to 30 June 2019, no option had been granted or agreed to be granted by us pursuant to the Share Option Scheme.

## APPRECIATION

On behalf of the Board, I would like to express our sincere thanks to all our management and staff for their dedication during the period. Also, I would like to thank our Shareholders for their continuous support.

By order of the Board
**DUIBA GROUP LIMITED**
**Chen Xiaoliang**
*Chairman*

Hangzhou, China, 30 August 2019

*As at the date of this report, the Board comprises Mr. Chen Xiaoliang, Mr. Fang Hua, Mr. Xu Hengfei and Mr. Zhu Jiangbo as executive Directors, Mr. Huang Tao and Mr. Sun Qiang Chang as non-executive Directors and Mr. Kam Wai Man, Dr. Ou-Yang Hui and Dr. Gao Fuping as independent non-executive Directors.*

# Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

| | Notes | 2019 (Unaudited) RMB'000 | 2018 (Unaudited) RMB'000 |
|---|---|---|---|
| REVENUE | 5 | 780,294 | 474,420 |
| Cost of sales | | (535,998) | (299,339) |
| Gross profit | | 244,296 | 175,081 |
| Other income and gains | 5 | 15,844 | 5,272 |
| Selling and distribution expenses | | (53,938) | (43,007) |
| Administrative expenses | | (118,221) | (85,800) |
| Changes in fair value of financial liabilities at fair value through profit or loss | 7 | (467,675) | (304,942) |
| Other expenses | | (1,232) | (41) |
| Finance costs | 8 | – | (5,772) |
| LOSS BEFORE TAX | 6 | (380,926) | (259,209) |
| Income tax (expense)/credit | 9 | (1,517) | 2,958 |
| LOSS FOR THE PERIOD | | (382,443) | (256,251) |
| Attributable to: | | | |
| Owners of the parent | | (382,443) | (256,251) |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted | | | |
| – For loss for the period (RMB) | 11 | (50) cents | (37) cents |

## Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

| | **2019 (Unaudited) RMB'000** | 2018 (Unaudited) RMB'000 |
|---|---|---|
| LOSS FOR THE PERIOD | **(382,443)** | (256,251) |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | **(101)** | 803 |
| Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences: | | |
| Exchange differences on translation of the Company | **28,001** | (20,791) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX | **27,900** | (19,988) |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | **(354,543)** | (276,239) |
| Attributable to: | | |
| Owners of the parent | **(354,543)** | (276,239) |

# Unaudited Condensed Consolidated Statement of Financial Position

30 June 2019

| | *Notes* | **30 June 2019 (Unaudited) RMB'000** | 31 December 2018 (Audited) RMB'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | *12* | **6,772** | 8,930 |
| Intangible assets | | **727** | 894 |
| Deferred tax assets | | **10,935** | 10,877 |
| Prepayments, deposits and other receivables | | **1,973** | 1,979 |
| Right-of-use assets | *3* | **5,593** | – |
| Total non-current assets | | **26,000** | 22,680 |
| CURRENT ASSETS | | | |
| Trade receivables | *13* | **23,226** | 114,963 |
| Prepayments, deposits and other receivables | | **44,815** | 46,570 |
| Financial assets at fair value through profit or loss | *14* | **1,312,126** | 426,172 |
| Cash and cash equivalents | *15* | **159,945** | 281,565 |
| Total current assets | | **1,540,112** | 869,270 |
| CURRENT LIABILITIES | | | |
| Trade payables | *16* | **79,295** | 63,209 |
| Advances from customers, other payables and accruals | | **100,972** | 88,443 |
| Tax payable | | **834** | – |
| Lease liabilities | *3* | **4,585** | – |
| Contract liabilities | *5* | **11,726** | 20,657 |
| Total current liabilities | | **197,412** | 172,309 |

Unaudited Condensed Consolidated Statement of Financial Position
30 June 2019

| | Notes | 30 June 2019 (Unaudited) RMB'000 | 31 December 2018 (Audited) RMB'000 |
|---|---|---|---|
| NET CURRENT ASSETS | | **1,342,700** | 696,961 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **1,368,700** | 719,641 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | **946** | 248 |
| Lease liabilities | *3* | **120** | – |
| Financial liabilities at fair value through profit or loss | *17* | – | 1,151,391 |
| Total non-current liabilities | | **1,066** | 1,151,639 |
| Net assets/(liabilities) | | **1,367,634** | (431,998) |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | *18* | **73** | 44 |
| Treasury shares | | **(3,340)** | – |
| Reserves | | **1,370,901** | (432,042) |
| Total equity/ (net deficiency in assets) | | **1,367,634** | (431,998) |

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

| | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Treasury shares RMB'000 | Share premium* RMB'000 | Capital reserve* RMB'000 | Statutory surplus reserves* RMB'000 | Accumulated losses* RMB'000 | Exchange fluctuation* RMB'000 | Total equity RMB'000 |
| At 1 January 2019 (Audited) | 44 | – | 32,175 | (118,597) | 25,125 | (337,173) | (33,572) | (431,998) |
| Loss for the period (Unaudited) | – | – | – | – | – | (382,443) | – | (382,443) |
| Other comprehensive income for the period: | | | | | | | | |
| Exchange differences on translation of foreign operations (Unaudited) | – | – | – | – | – | – | 27,900 | 27,900 |
| Total comprehensive loss for the period (Unaudited) | – | – | – | – | – | (382,443) | 27,900 | (354,543) |
| Issue of shares (Unaudited) | 8 | – | 574,632 | – | – | – | – | 574,640 |
| Equity-settled share award *(note 21)* (Unaudited) | – | – | – | 8,953 | – | – | – | 8,953 |
| Appropriation to statutory surplus reserve (Unaudited) | – | – | – | – | 3,246 | (3,246) | – | – |
| Repurchase of shares (Unaudited) | – | (3,340) | – | – | – | – | – | (3,340) |
| Conversion of preferred shares to ordinary shares (Unaudited) | 21 | – | 1,600,628 | – | – | – | – | 1,600,649 |
| Share issue expenses (Unaudited) | – | – | (26,727) | – | – | – | – | (26,727) |
| At 30 June 2019 (Unaudited) | 73 | (3,340) | 2,180,708 | (109,644) | 28,371 | (722,862) | (5,672) | 1,367,634 |

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium* RMB'000 | Capital reserve* RMB'000 | Statutory surplus reserves* RMB'000 | Accumulated losses* RMB'000 | Exchange fluctuation* RMB'000 | Net deficiency in assets RMB'000 |
| At 1 January 2018 (Audited) | – | – | 9,277 | 10,803 | (12,091) | – | 7,989 |
| Loss for the period (Unaudited) | – | – | – | – | (256,251) | – | (256,251) |
| Other comprehensive loss for the period: | | | | | | | |
| Exchange differences on translation of foreign operations (Unaudited) | – | – | – | – | – | (19,988) | (19,988) |
| Total comprehensive loss for the period (Unaudited) | – | – | – | – | (256,251) | (19,988) | (276,239) |
| Equity-settled share award *(note 21)* (Unaudited) | – | – | 5,752 | – | – | – | 5,752 |
| Issue of shares (Unaudited) | 49 | 35,530 | – | – | – | – | 35,579 |
| Repurchase of shares (Unaudited) | (5) | (3,355) | (252,530) | – | – | – | (255,890) |
| Acquisition of equity interests of subsidiaries from the then shareholders (Unaudited) | – | – | (42,000) | – | – | – | (42,000) |
| Conversion of preferred share to ordinary shares of the then shareholders (Unaudited) | – | – | 158,772 | – | – | – | 158,772 |
| Dividend paid to the then shareholders (Unaudited) | – | – | – | – | (18,228) | – | (18,228) |
| Transfer to statutory reserves (Unaudited) | – | – | – | 8,983 | (8,983) | – | – |
| At 30 June 2018 (Unaudited) | 44 | 32,175 | (120,729) | 19,786 | (295,553) | (19,988) | (384,265) |

* These reserve accounts comprise the consolidated reserves of RMB1,370,901,000 in the consolidated statements of financial position as at 30 June 2019.

# Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

| | Notes | 2019 (Unaudited) RMB'000 | 2018 (Unaudited) RMB'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before tax | | **(380,926)** | (259,209) |
| Adjustments for: | | | |
| Bank interest income | *5* | **(945)** | (72) |
| Investment income from financial assets at fair value through profit or loss | *5* | **(5,047)** | (3,550) |
| Foreign exchange loss/(gains), net | *6* | **937** | (66) |
| Loss on disposal of items of property, plant and equipment | | **3** | 11 |
| Depreciation of property, plant and equipment | *12* | **2,560** | 1,235 |
| Changes in fair value of financial assets at fair value through profit or loss | *5* | **(7,716)** | (1,449) |
| Amortisation of intangible assets | | **167** | 10 |
| Changes in fair value of financial liabilities at fair value through profit or loss | *7* | **467,675** | 304,942 |
| Finance costs | *8* | **–** | 5,772 |
| Equity-settled share award expense | | **8,953** | 5,752 |
| Lease interest expense | *3* | **58** | – |
| Depreciation of right-of-use assets | *3* | **2,765** | – |
| Impairment of trade receivables arising from contracts with customers | | **287** | 419 |
| | | **88,771** | 53,795 |
| Decrease in trade receivables | | **91,450** | 11,927 |
| Increase in prepayments, deposits and other receivables | | **(849)** | (15,081) |
| Increase in inventories | | **–** | (406) |
| Increase/(decrease) in trade payables | | **16,086** | (32,494) |
| Increase in advances from customers, other payables and accruals | | **12,502** | 9,145 |
| Decrease in contract liabilities | | **(8,931)** | (8,163) |
| Cash generated from operations | | **199,029** | 18,723 |
| Interest received | | **945** | 72 |
| Income tax paid | | **–** | (184) |
| Net cash flows from operating activities | | **199,974** | 18,611 |

## Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

| | Notes | 2019 (Unaudited) RMB'000 | 2018 (Unaudited) RMB'000 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from disposals of items of property, plant and equipment | | **30** | 7 |
| Purchases of items of property, plant and equipment | | **(435)** | (4,622) |
| Purchases of financial assets at fair value through profit or loss | | **(1,738,112)** | (683,413) |
| Proceeds from investment income | | **5,047** | 3,550 |
| Proceeds from disposals of financial assets at fair value through profit or loss | | **860,035** | 664,072 |
| Acquisition of equity interests in subsidiaries from the then shareholders | | **–** | (42,000) |
| Net cash flows used in investing activities | | **(873,435)** | (65,956) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from financial liabilities at fair value through profit or loss | | **–** | 712,005 |
| Dividend paid to the then shareholders | | **–** | (18,228) |
| Dividend paid to preferred shareholders | | **–** | (5,772) |
| Proceeds from issue of shares | | **574,640** | 35,579 |
| Repurchase of shares | | **(3,340)** | (320,034) |
| Share issue expenses | | **(24,160)** | – |
| Principal portion of lease payments | *3* | **(3,711)** | – |
| Net cash flows from financing activities | | **543,429** | 403,550 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | **(130,032)** | 356,205 |
| Net foreign exchange difference | | **8,412** | 11,328 |
| Cash and cash equivalents at beginning of period | | **281,565** | 90,790 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | *15* | **159,945** | 458,323 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | **159,945** | 458,323 |
| Cash and bank balances | | **159,945** | 458,323 |
| Non-pledged time deposits with original maturity of less than three months when acquired | | **–** | – |
| Cash and cash equivalents as stated in the statement of financial position | | **159,945** | 458,323 |

# Notes to the Unaudited Condensed Consolidated Financial Information

*30 June 2019*

## 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 26 February 2018. The registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Reporting Period, the Company's subsidiaries are principally involved in user management SaaS platform business, interactive advertising business and other businesses. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 7 May 2019.

## 2. BASIS OF PREPARATION

The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

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

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective as of 1 January 2019.

| | |
|---|---|
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation* |
| HKFRS 16 | *Leases* |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement* |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures* |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments* |
| Annual Improvements 2015-2017 Cycle | *Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23* |

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's unaudited interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease,* HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

**New definition of a lease**

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g. property management services for leases of properties) as a single lease component.

**As a lessee – Leases previously classified as operating leases**

*Nature of the effect of adoption of HKFRS 16*

The Group has lease contracts for office rental. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g. laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

**As a lessee – Leases previously classified as operating leases (continued)**

*Impacts on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

| | RMB'000 (Unaudited) |
|---|---|
| **Assets** | |
| Increase in right-of-use assets | **8,358** |
| Increase in total assets | **8,358** |
| **Liabilities** | |
| Increase in lease liabilities | **8,358** |
| Increase in total liabilities | **8,358** |

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

**As a lessee – Leases previously classified as operating leases (continued)**

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

| | RMB'000<br>(Unaudited) |
|---|---|
| Operating lease commitments as at 31 December 2018 | 8,875 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 4.35% |
| Discounted operating lease commitments as at 1 January 2019 | 8,759 |
| Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 | (401) |
| Lease liabilities as at 1 January 2019 | 8,358 |

**Summary of new accounting policies**

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

*Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

*Lease liabilities*

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

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

**Summary of new accounting policies (continued)**

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

**Significant judgement in determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease equipment for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group did not include the renewal period as part of the lease term for leases of office since the Group has a policy of continuously evaluating the capacity based on the business strategy as well as the external conditions and all other relevant factors that may have impact on the renewal options.

**Amounts recognised in the unaudited interim condensed consolidated statement of financial position and profit or loss**

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

| | Right-of-use assets RMB'000 | Lease liabilities RMB'000 |
|---|---|---|
| As at 1 January 2019 | 8,358 | 8,358 |
| Depreciation charge | (2,765) | – |
| Interest expense | – | 58 |
| Payments | – | (3,711) |
| As at 30 June 2019 | 5,593 | 4,705 |

The Group recognised rental expenses from short-term leases of RMB268,000 and leases of low-value assets of nil for the six months ended 30 June 2019.

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

### Geographical information

During the Reporting Period, the Group operated within one geographical area as all of the Group's revenue was generated from customers located in China. All of the non-current assets of the Group were located in China.

### Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the Reporting Period is set out below:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Customer 1 | **149,485** | N/A* |
| Customer 2 | **118,916** | N/A* |
| Customer 3 | **97,105** | N/A* |
| Customer 4 | **88,442** | N/A* |
| Customer 5 | **86,509** | N/A* |
| Customer 6 | **85,343** | 49,358 |
| Customer 7 | **N/A*** | 109,063 |
| | **625,800** | 158,421 |

* The corresponding revenue of the customer is not disclosed as the revenue did not individually account for 10% or more of the Group's revenue for the Reporting Period.

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Revenue | | |
| User management SaaS platform business | **10,660** | 3,278 |
| Interactive advertising business | **769,560** | 461,895 |
| Others | **74** | 9,247 |
| | **780,294** | 474,420 |
| Other income | | |
| Foreign exchange gains, net | **–** | 66 |
| Bank interest income | **945** | 72 |
| Government grants | **2,063** | 100 |
| Others | **73** | 35 |
| | **3,081** | 273 |
| Gains | | |
| Changes in fair value of financial assets at fair value through profit or loss | **7,716** | 1,449 |
| Investment income from financial assets at fair value through profit or loss | **5,047** | 3,550 |
| | **12,763** | 4,999 |
| | **15,844** | 5,272 |

## 5. REVENUE, OTHER INCOME AND GAINS (continued)

*Notes:*

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Timing of revenue recognition | | |
| Over time | | |
| – SaaS services included in user management SaaS platform business | **8,560** | 138 |
| At a point in time | | |
| – Other services included in user management SaaS platform business | **2,100** | 3,140 |
| – Interactive advertising business | **769,560** | 461,895 |
| – Others | **74** | 9,247 |
| | **771,734** | 474,282 |
| Total | **780,294** | 474,420 |

The Group recognised the following revenue-related contract liabilities:

| | **30 June 2019** | 31 December 2018 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | **RMB'000** | RMB'000 |
| Current | **11,726** | 20,657 |

## 5. REVENUE, OTHER INCOME AND GAINS (continued)

*Notes:* (continued)

(b) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the Reporting Period related to carried-forward contract liabilities.

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Revenue recognised that was included in the contract liabilities balance at the beginning of the period | **18,674** | 27,522 |

(c) Unsatisfied performance obligations

The following table shows the unsatisfied performance obligations as at 30 June 2019 and 31 December 2018.

| | **30 June 2019** | 31 December 2018 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | **RMB'000** | RMB'000 |
| Current | | |
| Volume rebate | **3,255** | 14,831 |
| Deferred revenue | **8,471** | 5,826 |
| Current | **11,726** | 20,657 |

## 6. PROFIT BEFORE TAX

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

| | Notes | For the six months ended 30 June 2019 (Unaudited) RMB'000 | 2018 (Unaudited) RMB'000 |
|---|---|---|---|
| Cost of inventories sold | | **1,437** | 1,193 |
| Cost of services provided | | **534,561** | 298,146 |
| Depreciation of items of property, plant and equipment | *12* | **2,560** | 1,235 |
| Amortisation of intangible assets* | | **167** | 10 |
| Government grants | *5* | **2,063** | 100 |
| Bank interest income | *5* | **(945)** | (72) |
| Foreign exchange differences | *5* | **937** | (66) |
| Loss on disposal of items of property, plant and equipment | | **3** | 11 |
| Impairment of trade receivables arising from contracts with customers | | **287** | 419 |
| Changes in fair value of financial assets at fair value through profit or loss | *5* | **(7,716)** | (1,449) |
| Investment income from financial assets at fair value through profit or loss | *5* | **(5,047)** | (3,550) |
| Research and development costs | | **52,746** | 42,360 |
| Minimum lease payments under operating leases | | **268** | 1,776 |
| Depreciation expense of right-of-use assets | *3* | **2,765** | – |
| Auditor's remuneration | | **686** | – |
| Listing expenses | | **32,243** | 10,748 |
| Employee benefit expense (excluding directors' and chief executive's remuneration): | | | |
| Wages and salaries | | **65,167** | 57,558 |
| Pension scheme contributions | | **5,376** | 5,598 |
| Staff welfare expenses | | **20,036** | 18,054 |
| Equity-settled share award expense | | **8,635** | 5,292 |
| | | **99,214** | 86,502 |

* The amortisation of intangible assets for the six months end 30 June 2019 is included in "Administrative expenses" in profit or loss.

## 7. CHANGES IN FAIR VALUE OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Changes in fair value | **467,675** | 304,942 |

## 8. FINANCE COSTS

An analysis of finance costs is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Dividends on redeemable preferred shares (classified as financial liabilities at fair value through profit or loss) | **–** | (5,772) |

## 9. INCOME TAX

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

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed statement of profit or loss are:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Current – Charged for the period | **877** | – |
| Deferred tax | **640** | (2,958) |
| Total tax expense/(credit) for the period | **1,517** | (2,958) |

## 10. DIVIDENDS

On 15 August 2019, the Board resolved to recommend an interim dividend of RMB9 cents per ordinary share, amounting to a total of approximately RMB99.8 million (based on the number of issued Shares as at the date of this report) which is subject to the shareholders' approval.

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

The calculation of the basic earnings per share amount is based on the loss for the period attributable to ordinary equity holders of the parent of RMB(50) cents (2018: RMB(37) cents), and the weighted average number of ordinary shares of 757,491,000 (2018: 683,563,000) shares in issue during the period. The number of shares for the current period has been arrived at after eliminating the shares of the Company held under the share award scheme and shares repurchased.

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB** | RMB |
| **Earnings** | | |
| Loss attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation | **(50) cents** | (37) cents |

| | Number of shares<br>For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation | **757,491,000** | 683,563,000 |

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2019 and 2018, in respect of a dilution as the impact of the share award and preferred shares had an anti-dilutive effect on the basic loss per share amount presented.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | **30 June 2019** | 31 December 2018 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | **RMB'000** | RMB'000 |
| Carrying amount at beginning of period/year | **8,930** | 3,600 |
| Additions | **435** | 9,637 |
| Depreciation provided during the period/year | **(2,560)** | (3,081) |
| Disposals | **(33)** | (1,226) |
| Carrying amount at end of period/year | **6,772** | 8,930 |

## 13. TRADE RECEIVABLES

| | 30 June 2019 (Unaudited) RMB'000 | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| Trade receivables | **23,435** | 115,103 |
| Less: Impairment of trade receivables | **(209)** | (140) |
| | **23,226** | 114,963 |

Trade receivables are non-interest-bearing with credit terms ranging from 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the transaction date and net of provisions, is as follows:

| | 30 June 2019 (Unaudited) RMB'000 | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| 0 to 30 days | **6,745** | 95,198 |
| 31 to 90 days | **12,474** | 18,225 |
| 91 to 180 days | **3,797** | 1,453 |
| 181 to 365 days | **209** | 38 |
| 1 to 2 years | **1** | 46 |
| 2 to 3 years | **–** | 3 |
| | **23,226** | 114,963 |

## 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **30 June 2019 (Unaudited) RMB'000** | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| Unlisted investment: | | |
| Investments in financial products, at fair value | **1,312,126** | 426,172 |

As at 30 June 2019, the Group had investments in financial products of RMB353,358,000 issued by banks and licensed financial institutions with expected interest rates of 2.3%~4.2% per annum with no maturity period and RMB204,634,000 with expected interest rate of 3.3%~5.2% with maturity period of one to ten months. The fair values of the investments approximate to their cost plus expected interest. As at 30 June 2019, investment in certain financial products of RMB754,134,000 represented financial products issued by banks and licensed financial institutions in the PRC with fair values were derived from quoted price in an active market.

As at 31 December 2018, the Group had investments in financial products of RMB263,361,000 issued by banks and licensed financial institutions with expected interest rates of 1.8%~4.9% per annum with no maturity period and RMB131,430,000 with expected interest rate of 2.0%~5.1% with maturity period of one to three months. The fair values of the investments approximate to their cost plus expected interest. As at 31 December 2018, investment in certain financial products of RMB31,381,000 represented financial products issued by banks and licensed financial institutions in the PRC with fair values were derived from quoted price in an active market.

## 15. CASH AND CASH EQUIVALENTS

| | **30 June 2019 (Unaudited) RMB'000** | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| Cash and bank balances | **159,945** | 281,565 |
| Denominated in RMB | **106,571** | 256,385 |
| Denominated in USD | **3,852** | – |
| Denominated in HKD | **49,522** | 25,180 |
| Cash and cash equivalents | **159,945** | 281,565 |

## 15. CASH AND CASH EQUIVALENTS (continued)

The RMB is not freely convertible into other currencies, however, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposit is made for period of six months and earn interest at the respective short-term time deposit rates. The bank balances and time deposit is deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

## 16. TRADE PAYABLES

| | **30 June 2019 (Unaudited) RMB'000** | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| Trade payables | **79,295** | 63,209 |

An ageing analysis of the trade and notes payables as at the end of the Reporting Period, based on the invoice date, is as follows:

| | **30 June 2019 (Unaudited) RMB'000** | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| 0 to 30 days | **50,846** | 45,082 |
| 31 to 90 days | **14,753** | 10,867 |
| 91 to 180 days | **5,831** | 2,928 |
| 181 to 365 days | **4,849** | 2,193 |
| Over 365 days | **3,016** | 2,139 |
| | **79,295** | 63,209 |

Trade payables are non-interest-bearing and are normally settled on 60-day terms.

## 17. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

On 2 September 2014, Hangzhou Duiba Internet Technology Co., Ltd. ("**HZ Duiba**") issued Series Seed redeemable preferred shares ("**Series Seed**") to a third-party investor for RMB2,250,000.

On 18 March 2015, HZ Duiba issued Series A redeemable preferred shares ("**Series A**") to two third-party investors for RMB7,800,000.

On 31 December 2015, HZ Duiba issued Series B redeemable preferred shares ("**Series B**") to four third-party investors for RMB27,000,000.

On 28 May 2018, Duiba Group (Hong Kong) Limited entered into several equity transfer agreements with the then shareholders of HZ Duiba and acquired 100% equity interest of HZ Duiba, as a result, the Preferred rights of Series Seed, Series A and Series B were terminated.

On 31 May 2018, the Company entered into a share purchase agreement with the holders of the Series Angel preferred shares ("**Series Angel**") and pursuant to which the Company issued 13,759,200 Series Angel to three third-party investors for RMB6,421,000.

On 31 May 2018, the Company repurchased 1,800,000 Series Angel preferred shares from Li Lingling for a cash consideration of RMB64,144,000.

On 31 May 2018, the Company entered into share purchase agreements with the Series C Investors and pursuant to which the Company issued 19,000,000 Series C preferred shares ("**Series C**") to two third-party investors for RMB705,584,000.

On 7 May 2019, all the Series C preferred shares and Series Angel preferred shares then in issue were converted to ordinary shares.

The key term of the preferred share are summarised as follows:

### (1) Voting

The holders of Series Seed, Series A and Series B preferred shares (collectively "**Old preferred shares**") are entitled to the number of votes equal to the number of shares.

The holders of Series Angel and Series C preferred shares (collectively "**New preferred shares**") shall be entitled to the number of votes equal to the number of Ordinary Shares into which such series of the New preferred shares could be converted at the record date for determination of the members entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of members is solicited.

### (2) Dividends

The holders of Old preferred shares are entitled to receive dividend from HZ Duiba with no preferential basis.

The holders of the New preferred shares shall be entitled to receive dividends from the Company, out of any funds legally available therefor, at the amount distributed among the junior shares (including but not limited to ordinary shares) pro rata based on the number of ordinary shares held by each holder of the New preferred shares (calculated on an as-converted basis).

## 17. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

### (3) Liquidation

Upon any liquidation, dissolution or winding up of HZ Duiba, distributions to the members of HZ Duiba shall be made in the following manner:

(a) Firstly, before any distribution or payment shall be made to the holders of ordinary shares, each holder of Series Seed shall be entitled to receive an annual compound interest rate of 8% of its investment; each holder of Series B shall be entitled to receive the higher dividend of the followings: i) annual interest rate of 12% minus the consideration received before the liquidation; ii) the liquidation net assets multiply the percentage of shares as the liquidation date and minus the consideration received before the liquidation.

(b) After distribution or payment in full of the amount distributable or payable on the Series Seed and Series B pursuant to paragraph (a), the remaining assets of HZ Duiba available for distribution to members shall be distributed ratably among the holders of outstanding ordinary shares and the holders of outstanding preferred shares in proportion to the number of outstanding ordinary shares held by them.

Upon any liquidation, dissolution or winding up of the Company and/or any group company, either voluntary or involuntary, distributions to the members of the Company shall be made in the following manner:

(a) Firstly, before any distribution or payment shall be made to any other holders of Series Angel preferred share and Ordinary Shares, each holder of Series C preferred shares shall be entitled to receive, on parity with each other, an amount equal to (the "**Series C Preferred Share Liquidation Preference Amount**"): one hundred percent (100%) of the applicable Series C Original Issue Price, plus all dividends declared and unpaid with respect thereto per Series C preferred Share, then held by such holder. If, upon any liquidation, dissolution, or winding up, the assets of the Company shall be insufficient to make payment of the foregoing amounts in full on all Series C preferred share, then such assets shall be distributed among the holders of Series C preferred share ratably in proportion to the full amounts to which they would otherwise be respectively entitled thereon.

(b) Secondly, after setting aside or paying in full the Series C preferred share Liquidation Preference Amount, each holder of Series Angel preferred share shall be entitled to receive, on parity with each other, an amount equal to one hundred percent (100%) of the Series Angel Original Issue Price, plus (ii) all dividends declared and unpaid with respect thereto per Series Angel preferred Share, then held by such holder (the "**Series Angel Preferred Share Liquidation Preference**"). If, upon any liquidation, dissolution, or winding up, after setting aside or paying in full the Series C preferred share Liquidation Preference, the remaining assets of the Company shall be insufficient to make payment of the foregoing amounts in full on all Series Angel preferred share, then such assets shall be distributed among the holders of Series Angel preferred share ratably in proportion to the full amounts to which they would otherwise be respectively entitled thereon.

(c) After distribution or payment in full of the amount distributable or payable on the preferred share pursuant to paragraph (a) and (b) above, the remaining assets of the Company available for distribution to Members shall be distributed ratably among the holders of outstanding Ordinary Shares and the holders of outstanding preferred share in proportion to the number of outstanding Ordinary Shares held by them (with outstanding preferred share treated on an as-if-converted basis).

## 17. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

### (4) Conversion

The holders of the New preferred shares have the following conversion rights described below with respect to the conversion of the New preferred shares into Ordinary Shares. The number of Ordinary Shares to which a holder shall be entitled upon conversion of any Series C preferred shares shall be the quotient of the applicable Series C Original Issue Price divided by the then-effective Series C Conversion Price. The "Series C Conversion Price" shall initially equal the applicable Series C Original Issue Price, and each shall be adjusted from time to time as provided in the then existing article of association of the Company.

The number of Ordinary Shares to which a holder shall be entitled upon conversion of any Series Angel preferred shares shall be the quotient of the Series Angel Original Issue Price divided by the then-effective Series Angel Conversion Price. The "Series Angel Conversion Price" shall initially equal the Series Angel Original Issue Price, and each shall be adjusted from time to time as provided in the then existing article of association of the Company. For the avoidance of doubt, the initial conversion ratio for Series Angel preferred shares to Ordinary Shares shall be 1:1.

### (5) Redemption

The holders of Series Seed preferred shares have the option to demand redemption in 60 months after the investment, according to the higher of i) the issue price plus annual compound interest rate of 8% of its investment, then minus the consideration received before the liquidation; ii) the liquidation net assets multiply the percentage of shares as the liquidation date.

The holders of Series A and Series B preferred share have the option to demand redemption upon the earlier of (i) if no qualified initial public offering ("**IPO**") has been consummated by certain dates (before 31 December 2020); (ii) any material breach by the Target Group or any common shareholders of the Target Group of any of its/his respective warranties and undertakings set forth in the purchase agreement, or (iii) any redemption requests made by any shareholders of the Series A and Series B preferred share. The redemption price was the issue price plus annual interest rate of 12% minus the consideration received before the redemption.

## 17. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

### (5) Redemption (continued)

The holders of New preferred shares have the option to demand redemption upon the earlier of (i) if no qualified IPO within thirty-six (36) months after the Series C original issue date; (ii) any material breach by the Target Group or any common shareholders of the Target Group of any of its/his respective warranties and undertakings set forth in the purchase agreement, or (iii) any redemption requests made by any shareholders of the New preferred shares. Redemption price shall equal to: the applicable issue price*$(1+10\%)^N$, plus all accrued and unpaid dividends thereon; N = a fraction the numerator of which is the number of calendar days between the Applicable Original Issue Date and the Redemption Date and the denominator of which is 365.

| | Series Seed<br>RMB'000 | Series A<br>RMB'000 | Series B<br>RMB'000 | Series C<br>RMB'000 | Series Angel<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|---|---|
| As at 31 December 2018 | – | – | – | 754,952 | 396,439 | 1,151,391 |
| Changes in fair value | – | – | – | 239,265 | 228,410 | 467,675 |
| Conversion of preferred shares to ordinary shares | – | – | – | (982,335) | (618,314) | (1,600,649) |
| Currency translation differences | – | – | – | (11,882) | (6,535) | (18,417) |
| As at 30 June 2019 | – | – | – | – | – | – |

The Company or HZ Duiba have used the Market Approach or Backsolve Method when applicable to determine the underlying share value of the Company or HZ Duiba and adopted equity allocation model to determine the fair value of the preferred shares as of the dates of issuance and at the end of the Reporting Period.

## 18. SHARE CAPITAL

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

| | *Notes* | Number of Shares in issue | Share capital<br>RMB'000 | Share premium account<br>RMB'000 |
|---|---|---|---|---|
| As at 1 January 2019 | | 69,040,800 | 44 | 32,175 |
| Effect of Share Subdivision | *(a)* | 621,367,200 | – | – |
| Conversion of preferred shares to ordinary shares | *(b)* | 309,592,000 | 21 | 1,600,628 |
| Issuance of shares on 7 May 2019 | *(c)* | 111,111,200 | 8 | 574,632 |
| Share issue expenses | | – | – | (26,727) |
| As at 30 June 2019 | | **1,111,111,200** | **73** | **2,180,708** |

## 18. SHARE CAPITAL (continued)

*Notes:*

(a) On 17 April 2019, pursuant to the shareholders' resolution, each existing issued and unissued share of US$0.0001 each in the share capital of the Company were subdivided into 10 shares of US$0.00001 each.

(b) Upon completion of the IPO, each issued preferred Share converted into ordinary shares. As a result, the financial liabilities for preferred share were derecognised and recorded as share capital and share premium.

(c) In connection with the Company's IPO, 111,111,200 ordinary shares of USD$0.00001 each were issued at HK$6.00 per share for a total cash consideration, before expenses, of HK$666,667,200.

## 19. COMMITMENTS

The Group had the following capital commitments at the end of Reporting Period:

| | **30 June 2019 (Unaudited) RMB'000** | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| Leasehold improvement | **143** | 1,050 |

## 20. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

| **Name** | **Relationship** |
|---|---|
| Mr. Chen Xiaoliang | Director |

(a) In addition to the transactions detailed elsewhere in the interim condensed consolidated financial statements, the Group had no transactions with related parties during the six months ended 30 June 2019 (2018: nil).

(b) Compensation of key management personnel of the Group:

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2019 (Unaudited) RMB'000** | 2018 (Unaudited) RMB'000 |
| Short term employee benefits | **1,735** | 2,008 |
| Equity-settled share award expense | **583** | 987 |
| Pension scheme contributions | **84** | 109 |
| Total compensation paid to key management personnel | **2,402** | 3,104 |

## 21. SHARE AWARD SCHEME

The Company and HZ Duiba adopted a share award scheme (the "**Scheme**") to recognise and reward the contribution of certain eligible employees to the growth and development of the Group and to give them incentives in order to retain them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group through an award of HZ Duiba's shares. During the Reporting Period, the Group granted shares of HZ Duiba under the Scheme through Hangzhou Kewei Equity Investment Management LLP ("**HZ Duiba ESOP Co.I**"), Hangzhou Kede Equity Investment Management LLP ("**HZ Duiba ESOP Co.II**") and Duiba Kewei (BVI) Limited ("**HZ Duiba ESOP Co.III**").

### Restricted Stock Unit Scheme

On 11 June 2015, equity interest in HZ Duiba was granted to 4 selected employees for a consideration of RMB26,690. There is no performance target required.

On 26 October 2015, equity interest in HZ Duiba was granted to 4 selected employees for a consideration of RMB8,450. There is no performance target required.

On 24 May 2016, HZ Duiba ESOP CO.I which is the PRC Share Incentive Entity of the Group subscribed for an approximate 7.56% equity interest in HZ Duiba. Mr. Chen Xiaoliang, being a supervisor of HZ Duiba, subscribed for equity interest in HZ Duiba ESOP CO.I by way of entering into partnership agreement. The purpose to establish the PRC Share Incentive Entity was to reserve equity interest for future employee incentive plans.

At the same time, equity interest in HZ Duiba ESOP CO.I of approximately 6.91%, representing an effective equity interest of 0.52% in HZ Duiba, was granted to 2 selected employees with no consideration. There is no performance target required except the eligible participant remains as an employee of the Group during the vesting period.

On 14 June 2017, equity interest in HZ Duiba ESOP CO.I of approximately 31.97%, representing an effective equity interest of 2.42% in HZ Duiba, was granted to 25 selected employees with no consideration. There is no performance target required except the eligible participant remains as an employee of the Group during the vesting period.

On 25 December 2017, equity interest in HZ Duiba ESOP CO.I of approximately 28.14%, representing an effective equity interest of 2.13% in HZ Duiba, was granted to 27 selected employees with no consideration. There is no performance target required except the eligible participant remains as an employee of the Group during the vesting period.

On 5 January 2018, HZ Duiba ESOP CO.II which is another PRC Share Incentive Entity of the Group subscribed for an approximate 1.89% equity interest in HZ Duiba. Mr. Chen Xiaoliang, being a supervisor of HZ Duiba, subscribed for equity interest in HZ Duiba ESOP Co.II by way of entering into partnership agreement.

## 21. SHARE AWARD SCHEME (continued)

### Restricted Stock Unit Scheme (continued)

At the same time, equity interest in HZ Duiba ESOP CO.II of approximately 4.89%, representing an effective equity interest of 0.37% in HZ Duiba, was granted to 20 selected employees with no consideration. There is no performance target required except the eligible participant remains as an employee of the Group during the vesting period.

On 23 March 2018, equity interest in HZ Duiba ESOP CO.II of approximately 4.72%, representing an effective equity interest of 0.40% in HZ Duiba, was granted to 22 selected employees with no consideration. There is no performance target required except the eligible participant remains as an employee of the Group during the vesting period.

On 28 May 2018, equity interest in HZ Duiba ESOP CO.II of approximately 1.69%, representing an effective equity interest of 0.13% in HZ Duiba, was granted to 1 selected employee with no consideration. There is no performance target required except the eligible participant remains as an employee of the Group during the vesting period.

For the grants of Restricted Stock Unit Scheme on 11 June 2015 and 26 October 2015, there are no service period or performance target requirements for the eligible employees. For other grants, there is no performance target requirements for the eligible employees. From 2016, when the participant of the PRC Share Incentive Entity ceased to be the Group's employee in first year, second year or third year, respectively 90%, 60% or 30% of unvested shares would be retained by the partnership.

The fair value of share award during the Reporting Period was estimated as at the date of grant using market approach (in particular, recent round financing method), taking into account the terms and conditions upon which the shares was awarded.

During the six months ended at 30 June 2019, share award expense of RMB2,249,000 (2018: RMB5,752,000), was charged to profit or loss.

### Restricted Stock Unit Option Incentive Scheme

The shareholder of the Company, adopted a Restricted Stock Unit Option Incentive Scheme on 1 November 2018 (the "**Scheme**"). The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the Group's services for 42 months or 48 months at least. Eligible participants of the Scheme include senior management members who serve as financial managers and company secretaries at the Group as well as other core technical personnel, key personnel or other natural persons or entities that were or will be important to the development of the Group.

## 21. SHARE AWARD SCHEME (continued)

### Restricted Stock Unit Option Incentive Scheme (continued)

For the grants of Restricted Stock Unit Option Incentive Scheme on 1 November 2018, parts of options granted to the grantees shall not be exercised within 6 months from the date of signing the option incentive agreement under the Scheme; 10% of the options granted shall become exercisable by the grantees between 6 months (inclusive of the 6 months anniversary) and 18 months (exclusive of the 18 months anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units; another 30% of the options granted shall become exercisable by the grantees between 18 months (inclusive of the 18 months anniversary) and 30 months (exclusive of the 30 months anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units; another 30% of the options granted shall become exercisable by the grantees between 30 months (inclusive of the 30 months anniversary) and 42 months (exclusive of the 42 months anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units; another 30% of the options granted shall become exercisable by the grantees after 42 months (inclusive of the 42 months anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units. Another parts of options granted to the grantees shall not be exercised within 12 months from the date of signing the option incentive agreement under the Scheme; 10% of the options granted shall become exercisable by the grantees between 12 months (inclusive of the 12 months anniversary) and 24 months (exclusive of the 24 months anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units; another 30% of the options granted shall become exercisable by the grantees between 24 months (inclusive of the 24 months anniversary) and 36 months (exclusive of the 36 months anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units; another 30% of the options granted shall become exercisable by the grantees between 36 months (inclusive of the 36 months anniversary) and 48 months (exclusive of the 48 months anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units; another 30% of the options granted shall become exercisable by the grantees after 48 months (inclusive of the 48 months anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units.

The exercise prices and exercise periods of the share options outstanding as at the end of the Reporting Period are as follows:

| Exercise period | Options ('000) | USD |
|---|---|---|
| 2019/05/01-2020/04/30 or 2019/11/01-2020/10/31 | 195 | – |
| 2020/05/01-2021/04/30 or 2020/11/01-2021/10/31 | 579 | – |
| 2021/05/01-2022/04/30 or 2021/11/01-2022/10/31 | 579 | – |
| after 2022/05/01 or 2022/11/01 | 579 | – |
| Total | 1,932 | – |

The fair value of the options granted in the year of 2018 was USD5,640,000 (USD2.90 each), of which the Group recognised a share option expense of RMB6,734,000 during the six months ended 30 June 2019 (2018: Nil).

## 22. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of Reporting Period is as follows:

### Financial assets – at amortised cost

| | 30 June 2019 (Unaudited) RMB'000 | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| Trade receivables | 23,226 | 114,963 |
| Financial assets included in prepayments, deposits and other receivables | 2,268 | 3,021 |
| Cash and cash equivalents | 159,945 | 281,565 |
| | 185,439 | 399,549 |

### Financial assets – at fair value through profit or loss

| | 30 June 2019 (Unaudited) RMB'000 | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| Financial assets at fair value through profit or loss | 1,312,126 | 426,172 |

### Financial liabilities – at amortised cost

| | 30 June 2019 (Unaudited) RMB'000 | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| Trade payables | 79,295 | 63,209 |
| Lease liabilities | 4,705 | – |
| Financial liabilities included in other payables and accruals | 9,733 | 8,458 |
| | 93,733 | 71,667 |

## 22. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

### Financial liabilities – at fair value through profit or loss

| | 30 June 2019 (Unaudited) RMB'000 | 31 December 2018 (Audited) RMB'000 |
|---|---|---|
| Financial liabilities at fair value through profit or loss | – | 1,151,391 |

## 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 30 June 2019, the fair values of the Group's financial assets or financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, amount due from directors, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in advances from customers, other payables and accruals, approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the Reporting Period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of pledged deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of the contingently redeemable convertible preference shares is estimated by market approach and equity allocation model to determine the fair value.

The fair values of unlisted financial assets at fair value through profit or loss have been calculated by discounting the expected future cash flows using discount rates currently available for instruments with similar terms, credit risk and remaining maturities. The valuation requires the directors to make estimates about the expected future cash flows including expected future interest return on maturity of the products based on market interest rates. The directors believe that the estimated fair values resulting from the valuation technique approximate to the carrying amounts at the end of Reporting Period. The fair values of tradeable financial assets at fair value through profit or loss are obtained from quoted prices in active markets.

## 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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

### Financial assets

As at 31 December 2018

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | Total RMB'000 |
| Financial assets at fair value through profit or loss: | | | | |
| Investments in financial products | 31,381 | 394,791 | – | 426,172 |

**As at 30 June 2019**

| | **Fair value measurement using** | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1) RMB'000** | **Significant observable inputs (Level 2) RMB'000** | **Significant unobservable inputs (Level 3) RMB'000** | **Total RMB'000** |
| Financial assets at fair value through profit or loss: | | | | |
| Investments in financial products | **754,134** | **557,992** | **–** | **1,312,126** |

### Financial liabilities

As at 31 December 2018

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | Total RMB'000 |
| Financial liabilities at fair value through profit or loss | – | – | 1,151,391 | 1,151,391 |

During the Reporting Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

## 24. EVENTS AFTER THE REPORTING PERIOD

There was no event causing significant impact on the Group since 30 June 2019.

# Definitions

In this report, the following expressions have the meanings set out below unless the context otherwise requires:

| | |
|---|---|
| "Audit Committee" | the audit committee of the Company |
| "Board" | the board of Directors |
| "BVI" | the British Virgin Islands |
| "CG Code" | the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules |
| "Company" or "our Company" | Duiba Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange under stock code 01753 |
| "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 |
| "connected person(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Director(s)" | the director(s) of the Company |
| "Group" or "our Group" or "we" or "us" | our Company and our subsidiaries or any of them |
| "HKFRS" | Hong Kong Financial Reporting Standards |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "IPO Proceeds" | the net proceeds of approximately HK$569.5 million from the global offering of the Shares, after deducting professional fees, underwriting commissions and other related listing expenses |

Definitions

| | |
|---|---|
| "Listing Date" | 7 May 2019, being the date on which the Shares became listed and commenced trading on the Stock Exchange |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| "PRC" or "China" | the People's Republic of China, excluding, for the purposes of this report only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| "Prospectus" | the prospectus of the Company dated 24 April 2019 |
| "Relevant Period" | the period from the Listing Date to 30 June 2019 |
| "Reporting Period" | the six months ended 30 June 2019 |
| "RMB" | Renminbi yuan, the lawful currency of the PRC |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) |
| "Share(s)" | ordinary share(s) of the Company with nominal value of US$0.00001 each in the share capital of the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary(ies)" | has the meaning ascribed thereto under the Listing Rules |
| "U.S. dollars" or "US$" or "USD" | United States dollars, the lawful currency of the United States of America |
| "XL Holding" or "XL Holding Limited" | Xiaoliang Holding Limited, a company with limited liability incorporated in the BVI on 26 February 2018, and wholly owned by Blissful Plus Enterprises Limited, a company controlled by the Chen's Family Trust for the benefit of Mr. Chen Xiaoliang and of his family members |