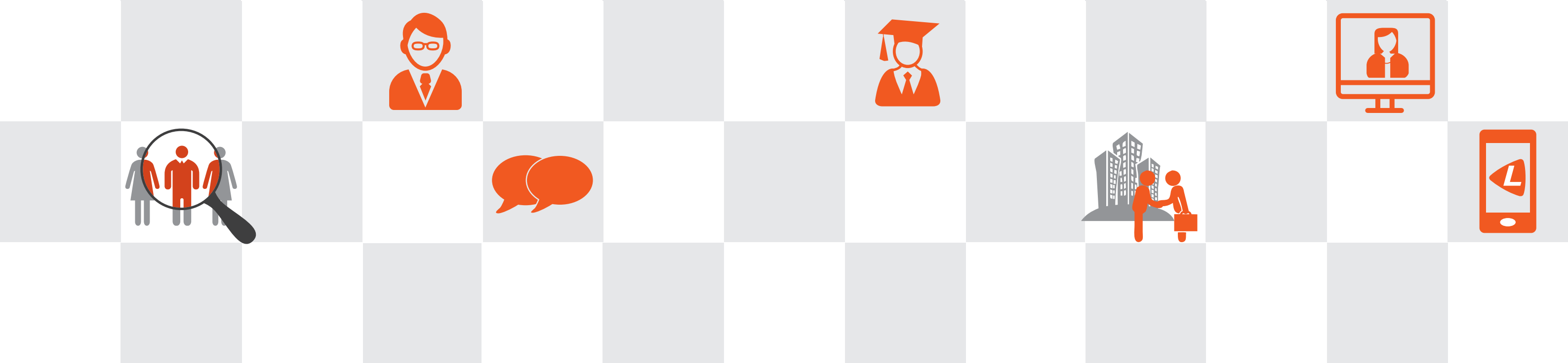


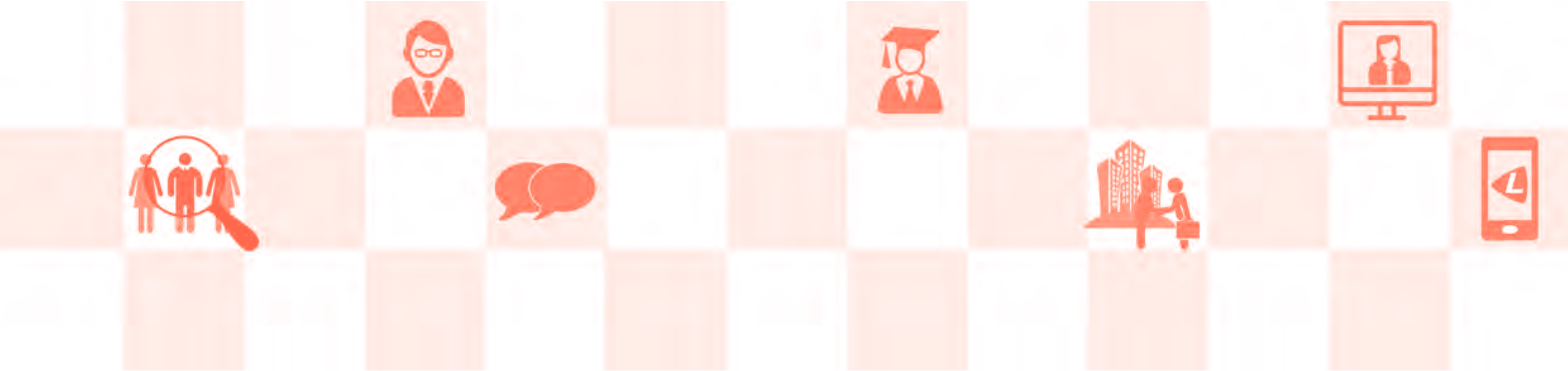
猎聘 Liepin

Wise Talent Information Technology Co., Ltd

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6100

ANNUAL REPORT 2019



CONTENTS

DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definition, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

"AI"	artificial intelligence
"Audit Committee"	the audit committee of our Company
"Average annual salary of registered individual users"	the average annual salary of all registered individual users who have provided to the Company with their salary information, which accounted for a substantial majority of all registered individual users
"Big Data"	big data
"Board"	the board of directors of our Company
"Business customers"	verified business users that have existing contracts with us as of a given date, excluding business customers with trial subscription
"BVI SPVs"	the wholly-owned companies established by each of the Founding Shareholders
"CAGR"	compound annual growth rate
"Cayman Company"	WJX INC., an offshore holding company established in the Cayman Islands to control Changsha Ranxing
"Changsha Ranxing"	Changsha Ranxing Information Technology Co., Ltd. (長沙冉星信息科技有限公司), a limited liability company established under the laws of the PRC
"Changsha Ranxing Contractual Arrangements"	The contractual arrangements in respect of Changsha Ranxing
"Changsha Ranxing Group"	Changsha Ranxing, its subsidiaries, controlled companies and subsidiaries of controlled companies
"Company", "our Company", or "the Company"	Wise Talent Information Technology Co., Ltd (Stock code: 6100), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 30 January 2018, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange

"Consolidated Affiliated Entities"	Wisest, TD Elite and Liedao and their respective subsidiaries and branches, the financial accounts of which have been consolidated and accounted for as if they were wholly-owned subsidiaries of our Company by virtue of the Contractual Arrangements
"Contractual Arrangements"	the series of contractual arrangements entered into by Tiancai Youdao with Wisest, TD Elite and Liedao and their respective relevant shareholders
"Director(s)"	the director(s) of our Company
"GDP"	Gross Domestic Product
"Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries from time to time
"Headhunter-assisted, closed-loop talent acquisition services"	end-to-end talent acquisition services that are delivered on an one-stop integrated platform, facilitated by headhunters, to business customers
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Company"	WJX HK LIMITED, a wholly-owned company established by the Cayman Company
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"ICP License"	Value-added Telecommunications Services Operating Permit for Internet information services
"IFRS"	International Finance Reporting Standards, amendments, and interpretations, as issued by IASB
"Individual paying users"	the individual users that have previously subscribed for the Company's premium membership services or CV advisory services at least once as of a given date
"Job postings"	active and open positions posted by our verified business users and verified headhunters on our online platform, excluding those that have been removed upon the completion of the hiring process or due to being more than 90 days old
"Liedao"	Liedao Information Technology Co., Ltd. (獵道信息技術有限公司), a LLC established in Tianjin, the PRC on 25 April 2014, one of our Consolidated Affiliated Entities by virtue of the Contractual Arrangements
"Liepin (HK)"	Liepin (HK) Information Technology Co., Limited, a wholly-owned subsidiary of the Company
"Listing Date"	29 June 2018, being the date on which the shares of the Company were listed on the Hong Kong Stock Exchange

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"LLC"	limited liability company
"Mid-to high-end talents"	individual job candidates with an average annual salary of at least RMB100,000
"Nomination Committee"	the nomination committee of our Company
"Number of CVs"	number of professional profiles of registered individual users presented to business customers that typically include at least the name, gender, age, location, contact number, current employer, title, salary and industry of such registered individual users
"Percentage of total number of job postings with an average annual salary of at least RMB100,000"	the number that equals to the total number of job postings with an average annual salary of at least RMB100,000 as of a given date, divided by the total number of job postings as of the same date
"PRC"	the People's Republic of China
"Pre-IPO Investors"	the holders of the convertible preferred shares, who have subscribed for the convertible preferred shares as part of the Reorganization to reflect their previous investments in Wisest at the level of our Company
"Prospectus"	the prospectus of the Company, dated 19 June 2018, in relation to its global offering
"R&D"	research and development
"Registered individual users"	the individual users that have completed all required registration and verification procedures to the Company's satisfaction, which include both individual paying users and individual non-paying users as of a given date
"Remuneration Committee"	the remuneration committee of our Company
"Reorganization"	the reorganization arrangements undertaken by the Group in preparation for the listing of the shares of the Company on the Main Board of the Hong Kong Stock Exchange
"Reorganization Framework Agreement"	the reorganization framework agreement dated 27 March 2018 entered into between, among others, the Company, TD Elite (HK) Information Technology Co., Limited, Wisest, TD Elite and the registered shareholders of the Company and Wisest in relation to the Reorganization
"Reporting Period"	the year ended 31 December 2019
"RMB"	Renminbi, the lawful currency of PRC

"SaaS"	software-as-a-solution, which refers to the Company's talent services delivery model where the Company hosts a range of proprietary software solutions and provide them to the Company's registered individual users, verified business users and verified headhunters over the internet
"Talent services"	talent acquisition services and professional career services provided to business users and individual users, as the case may be
"TD Elite"	TD Elite (Tianjin) Information Technology Co., Limited (同道精英(天津)信息技術有限公司), a LLC established in Tianjin, the PRC on 27 July 2015, one of our Consolidated Affiliated Entities by virtue of the Contractual Arrangements
"Tiancai Youdao"	Tiancai Youdao (Tianjin) Information Technology Co., Limited (天才有道(天津)信息技術有限公司), a LLC established in the PRC on 26 April 2018
"Total number of contacts with individual users by our verified headhunters"	the total number of contacts with individual users by the Company's verified headhunters through phone calls and messages, as of a given date
"USD"	United States dollars, the lawful currency of the United States of America
"Verified business users"	all business users that have completed all required registration and verification procedures to the Company's satisfaction, which include both business customers and non-paying business users who do not have active contracts with the Company as of a given date
"Verified headhunters"	the headhunters that have completed all required registration and verification procedures to our satisfaction
"WFOE"	Changsha Xingku Information Technology Co., Ltd.（長沙星酷信息科技有限公司）, a wholly foreign-owned enterprise established by the Hong Kong Company
"Wisest"	Wisest (Beijing) Management Consulting Co., Ltd. (萬仕道(北京)管理諮詢股份有限公司), a LLC established in the Zhongguancun Science Park (中關村國家自主創新示範區), Beijing, the PRC on 7 September 2006, one of our Consolidated Affiliated Entities by virtue of the Contractual Arrangements

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Dai Kebin
(Chairman and Chief Executive Officer)
Mr. Chen Xingmao *(Chief Technology Officer)*
Ms. Xu Lili *(Chief Financial Officer)*

Non-executive Directors

Mr. Shao Yibo
Mr. Zuo Lingye
Mr. Ding Gordon Yi

Independent Non-executive Directors

Mr. Ye Yaming
Mr. Zhang Ximeng
Mr. Choi Onward

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 415–3, Building No. 5
Courtyard No. 59, Gaoliangqiaoxie Road
Haidian District
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 417, 4th Floor, Lippo Centre, Tower Two
No. 89 Queensway, Admiralty
Hong Kong

REGISTERED OFFICE

Maples Corporate Services Limited
P.O. Box 309, Ugland House
Grand Cayman KY1–1104
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall, Cricket Square
Grand Cayman KY1–1102
Cayman Islands

LEGAL ADVISER TO HONG KONG LAW

Davis Polk & Wardwell
18th Floor, The Hong Kong Club Building
3A Chater Road, Hong Kong

COMPLIANCE ADVISOR

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central, Hong Kong

PRINCIPAL BANK

Industrial and Commercial Bank of China
No. 110, Jianguo Road
Chaoyang District
Beijing, PRC

COMPANY SECRETARY

Ms. Fung Wai Sum *(ACS, ACIS)*

AUTHORIZED REPRESENTATIVES

Mr. Dai Kebin
Ms. Fung Wai Sum

AUDIT COMMITTEE

Mr. Choi Onward *(Chairman)*
Mr. Ye Yaming
Mr. Zuo Lingye

REMUNERATION COMMITTEE

Mr. Zhang Ximeng *(Chairman)*
Mr. Choi Onward
Mr. Ding Gordon Yi

NOMINATION COMMITTEE

Mr. Dai Kebin *(Chairman)*
Mr. Ye Yaming
Mr. Zhang Ximeng

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

STOCK CODE

6100

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

COMPANY WEBSITE

www.liepin.com

FINANCIAL HIGHLIGHTS

- Revenue including primarily revenue from providing talent acquisition services to our business customers and providing professional career services was RMB1,513.5 million in 2019, a 23.5% increase from RMB1,225.3 million in 2018.

- Gross profit was RMB1,167.7 million in 2019, a 18.2% increase from RMB987.7 million in 2018.

- Net profit was RMB126.6 million in 2019, a 4,516.4% increase from RMB2.7 million in 2018.

- Net profit attributable to the owners of the Company was RMB120.4 million in 2019, a 1,455.6% increase from RMB7.7 million in 2018.

- Non-GAAP operating profit of the Company (excluding share-based compensation expenses and one-time listing expenses) was RMB185.6 million in 2019, a 106.5% increase from RMB89.9 million in 2018. Non-GAAP profit attributable to equity owners of the Company (excluding share-based compensation expenses and one-time listing expenses) was RMB174.1 million in 2019, a 68.6% increase from RMB103.3 million in 2018.

- The Board does not recommend the payment of final dividend for the year ended 31 December 2019.

Dear shareholders,

On behalf of the Board and the management of Wise Talent Information Technology Co., Ltd (the "**Company**"), I am pleased to present the 2019 annual report of the Company and its subsidiaries (collectively, the "**Group**", "**Liepin**" or "**we**", "**our**" and "**us**").

Under the new pressure arising from economic downturn and market uncertainty in 2019, we recorded steady growth in results of operation. For the year ended 31 December 2019, the Group recorded revenue of RMB1,513.5 million, gross profit of RMB1,167.7 million, net profit of RMB126.6 million and non-GAAP operating profit (excluding share-based compensation expenses and one-time listing expenses) of RMB185.6 million, representing year-on-year increases of 23.5%, 18.2%, 4,516.4% and 106.5%, respectively. Amid the general economic downturn in 2019, Liepin has shown the superiority of its business model. In contrast to the general slowdown in growth rate of the industry, the continued high growth of Liepin reflected that its business model is mature and resilient.

The rapid growth in revenue and profit were the results of the continuous improvement of our products and services as well as our specialized operation. The number of verified business users increased from 338,658 in 2018 to 559,568 in 2019, the number of verified headhunters increased from 137,031 in 2018 to 158,365 in 2019 and the number of registered individual users increased from 46.9 million in 2018 to 54.2 million in 2019. The number of job postings on our platform by corporate users increased to 5.2 million, making Liepin the preferred online platform for recruitment of mid-to high-end talents for companies in China. The average annual salary of registered individual users increased to RMB179,114, reflecting the improvement in both the number and quality of individual users.

The continuous growth in the number of users and the expanding scale of operations were primarily due to the following: (i) the development of an ecosystem which connects our massive, active and high-quality talent base with talents, individual users, business users, headhunters, and other talent service providers to maximize their values. In particular, under the pressure of general economic downturn, we recorded strong growth in revenue from online recruitment products, such as *Interview Express* and *Onboarding Express*, which allow more enterprises to conduct online recruitment with predictable results and budgets; (ii) our investment in products and technology has enabled us to acquire various users through our online recruitment platform with additional supply and demand channels. In 2019, the improvement of individual recruitment products attracted more business users and provided better experience for individual users through mutual interaction; (iii) the provision of online recruitment-related services, such as campus recruitment and background verification, effectively enhanced the recruitment process and increased customer value; and (iv) the enhancement of our operating efficiency, especially the efficiency of our sales and service team, which results in significant improvement in average sales successful rate and customer acquisition rate. The sales and marketing expenses as a percentage of the total operating income reduced from 58.2% in 2018 to 47.8% in 2019.

In 2019, in addition to the growth of recruitment business and the enhancement of operation efficiency, we adopted a two-dimension strategy for product development and business expansion. Business growth and diversification were achieved through organic growth as well as investment, merger and acquisition.

Vertically, we strengthened our recruitment business and expanded its coverage from mid-to high-end talents recruitment. The recruitment coverage ranged from the highest level to the general public and school graduates. The business is operated under different brand names, including the *Consultants for Global Leadership* (CGL), an international high-end headhunter, *Liepin*, a platform for mid-to high-end talents recruitment, and *Liepin Campus*, a brand targeted for campus recruitment. For individual paying users, we further improved personalized job hunting services such as VIP membership, CV templates and interview advisory services. As our core business, we will focus on recruitment services and develop a complete chain of services vertically through product innovation so as to enhance our competitiveness.

Horizontally, we expanded our business through diversification. New business segments of "flexible employment" (*Xunhou*) and "talent evaluation and training" (*Lebanban*) were established. *Xunhou* is a company under the Group, which focuses on the provision of services for flexible employment, including project outsourcing, internship arrangement and part-time jobs offering. Against the background of favorable policies and changes in the employment arrangement of companies, the flexible employment market will see rapid growth. As a platform for employee evaluation and training, *Lebanban* provides employees with online specialized learning and development services. We can cooperate with companies to provide remote staff training conveniently.

Furthermore, we have also invested in the development of service tools. Through update and improvement of such tools, user loyalty and operating efficiency were improved. Two of the major tools are *Duomian* and *Wenjuanxing*. *Duomian* is a SaaS platform used for video interview, which enables the enterprises to assess applicants efficiently. *Duomian* is available for candidates from all recruitment channels, such as interview for blue-collar recruitment, campus recruitment and white-collar recruitment. *Wenjuanxing* is a SaaS tool providing services such as questionnaire survey, online exam, document submission, online assessment, comprehensive employee assessment and online balloting. *Wenjuanxing* is conducive for *Liepin* to improve and expand its service scope, promote business penetration into small and medium-sized enterprises and further upgrade its ability to provide users with comprehensive recruitment services.

All businesses worldwide were affected by the outbreak of COVID-19 at the beginning of 2020. The demand for online recruitment services, video interviews, mobile training, flexible employment and online research increased exponentially. Liepin's preparation in 2019 played an important role during the pandemic. We believe that, facing the uncertain economic environment in 2020, we will continue to win customers by bearing the principle of "doing the best for customers" in mind. Our significant investment in research and development will result in better product innovation, and our two-dimension strategy will equip our Group with more diversified capabilities to cope with crisis, achieve continuous efficiency improvement and maintain growth momentum.

I would like to express our gratitude to our employees for their efforts in 2019. With their commitment and intelligence, we grow stronger and our innovative products are more competitive and we are highly recognized by customers. I would also like to express our gratitude to our shareholders and customers for their continuous support. Your trust boosts our confidence in our development. Currently, our market position, organization structure, products, services and capital are on an unprecedented scale since our inception. With the challenges under the global economy in 2020, we are determined to maintain the stable and sustainable development of the Company in order to create value for customers, employees and shareholders.

Yours faithfully,
Dai Kebin
Chairman

19 March 2020

MARKET REVIEW

PRC Mid-to High-End Talent Acquisition Services

We are a market leader in the mid-to high-end talent acquisition services market in China. Due to the ongoing talent upgrade and economic transformation, enterprises have continuously placed their focus on mid-to high-end talent acquisition in order to provide greater impact and create higher value for their business.

In 2019, despite the existence of increasing pressure and market uncertainties on the macroeconomic growth due to the trade war, there was still an increase in hiring demand, and it was the first time that the employment issue was included in the agenda of the National People's Congress and the Chinese Political Consultative Conference in 2019 as national policy with high importance. Benefiting from the supportive government policies, ongoing talent upgrade and economic transformation in China, the application of AI technology and Big Data analytics in the human resources service industry, and the growing talent pool of mid-to high-end job candidates, the size of mid-to high-end market of talent acquisition services is expected to expand sustainably, from 139 billion RMB in 2019 to 243 billion RMB in 2022, representing a CAGR of approximately 20% according to the China Insights Consultancy Limited ("**CIC**") report.

In 2019, in terms of talent demands by industries, the internet industry had the highest demand, followed by real estate, financial services, FMCG (fast moving consumer goods) and manufacturing. Small enterprises encountered more challenges because they were more vulnerable to the pressure of the economic environment. On the other hand, hiring demands of medium to large enterprises remained stable and they were looking for more diversified solutions for human resources services such as training and assessment, flexible staffing, personnel management, employee survey SaaS product and services, payroll services and other HCM (human capital management) SaaS products.

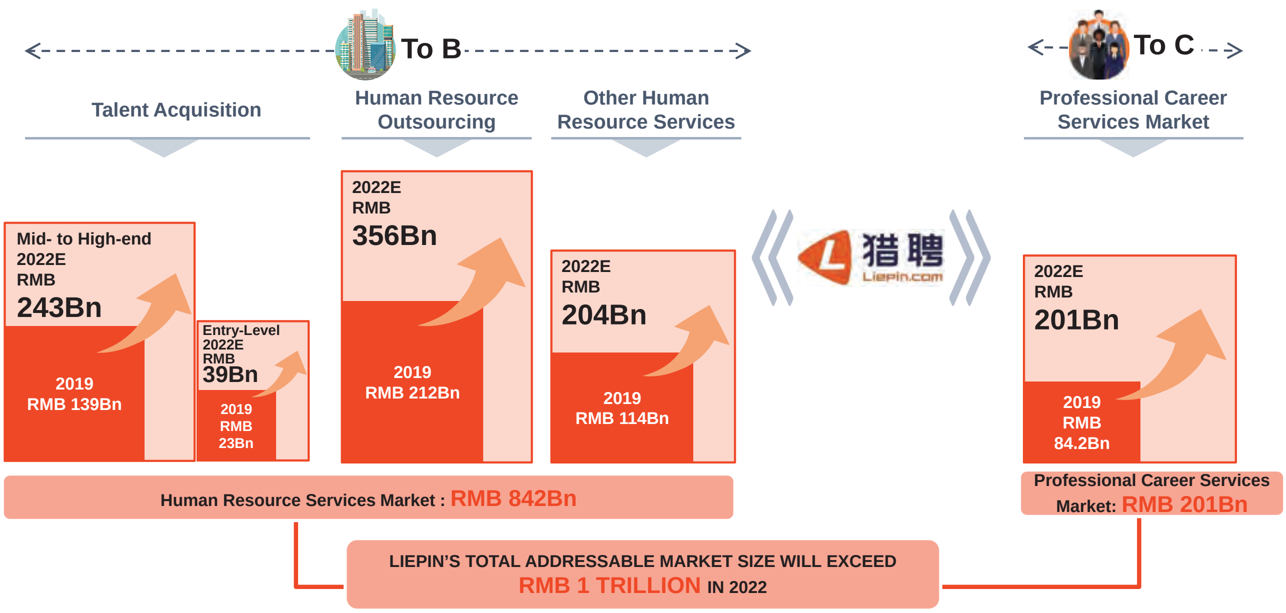
The Rise of Human Resource Market

According to the CIC report, apart from the continuous growth in talent acquisition services market, the market size of human resource services market was RMB488 billion in 2019 and was expected to grow to RMB842 billion in 2022, representing CAGR of 20%. The key drivers for the fast growth of human resources market include abundant and increased budget of enterprises for human resources services, especially high-quality customized services such as flexible staffing, corporate training and assessment, as well as continued government and financial support.

The PRC Professional Career Services Market

The PRC professional career services market in China mainly addresses professionals' increasing demand for career development and advancement. This market primarily encompasses career coaching, CV advisory services, professional skill training and other related career services but does not include degree-and certificate-oriented training. The total potential market size in terms of total revenue of mid-to high-end professional career services market was expected to grow from RMB84.2 billion in 2019 to RMB201 billion in 2022, representing a CAGR of 33.7%. The market size growth is primarily driven by the increasing demand for career development of high-quality talents and their increasing willingness to pay for career services.

Tremendous and Expanding Total Addressable HR Services Markets



BUSINESS REVIEW

As a pioneer of integrated talent acquisition services platform in China, we achieved a solid growth in 2019 amid challenges posed by the macro economy. In 2019, our revenue and gross profit amounted to RMB1,513.5 million and RMB1,167.7 million, respectively, representing an increase of 23.5% and 18.2%, respectively, compared to 2018. Set forth below is a summary of major developments of our business in 2019:

Continued Development and Expansion of our Platform

Leveraging our deep understanding of talents, we foster technology and data-driven platform for individual users, business users and headhunters to access a variety of human resources services. *Liepin* (獵聘, the brand which means headhunting and recruiting), our mid-to high-end talent platform, is still the core and fundamental element of our business and future growth strategy.

We distinguish ourselves from our competitors by leveraging technology, social functions and networks of individual users, headhunters and business users, and our massive and fast-growing talent pool. We operate a full range of proprietary online platform and SaaS solutions and provide online products and services to (i) registered individual users to find better career opportunities; and (ii) verified business users and headhunters to source talents more effectively.

During 2019, we launched a series of product innovations, including *Magic Mirror* (魔鏡), an AI interview screening system and certain new features to our existing *Direct Recruitment* (直招), for example, candidate-to-candidate direct recruitment. We also launched an innovative video-based talent platform *Duomian* (多面) to enable video job description from recruiters and video self-expression from candidates, under which remote online interviews can be conducted. Meanwhile, we re-launched *Lebanban* (樂班班) as an assessment and training app and SaaS platform to provide video-based training and provide tools for human resources to organize and monitor online training and conduct assessment and for employees to attend training and assessment on a flexible schedule.

Growth of Talent Acquisition Services to Business Users

Talent acquisition services to business users continued to be our major source of revenue. For the year ended 31 December 2019, we generated revenue of RMB1,431.3 million (compared with RMB1,162.6 million generated during the same period in 2018) from this business segment. *Liepintong* (獵聘通) remained our primary platform through which we offered a wide range of basic and advanced talent solutions via personal computers or mobile app to our verified business users in 2019. We continued to provide free basic talent solutions and tools including job posting services on *Liepintong* (獵聘通), AI-driven CV search, recommendation and management services, a SaaS-based solution of HR internal synergy tools, and Enterprise Station services. The number of our verified business users increased significantly from 338,658 as of 31 December 2018 to 559,568 as of 31 December 2019. The number of job postings on our online platform also grew significantly from 3.9 million as of 31 December 2018 to 5.2 million as of 31 December 2019.

In addition to our basic talent acquisition services, we offer customized subscription packages for business customers to access advanced talent acquisition services to further optimize their recruitment efficiency. Pricings of our subscription packages are determined based on the talent acquisition services selected by our business customers as well as our relationships with such business customers, which typically range from RMB10,000 to RMB50,000 per package and generally have a term of 12 months. These tools include our 360-degree CV review and downloading services, *Express Hiring 2.0* (急聘2.0), invitations to apply for jobs, intent communication with job candidates, salary reports and background checks.

The revenue growth of our platform in 2019, representing an increase of 23.1% from 2018, was driven not only by more business customers subscribing to our annual data package services, but also by the increase in consumption of our closed-loop talent acquisition services, leveraging on our technological advancements. Facing the challenges of economic downturn, most business users would like to have more certainties and tended to closely evaluate the return of investment for hiring. Our headhunter-assisted, closed-loop talent acquisition services such as *Interview Express* (面試快) and *Onboarding Express* (入職快) are the real breakthrough from traditional offline recruiting services industry and significantly improves the hiring efficiency. These products enable our business customers to request talent acquisition services online and obtain customized hiring services at different hiring milestones such as interview or onboarding from AI-selected headhunters with result-driven fee structures. Business customers can identify suitable candidates at a much faster pace and complete payment process online. Business customers also have the visibility of the entire hiring process, which significantly improves their cost efficiency as compared to the use of traditional offline headhunting services. During the process of offering various types of closed-loop talent acquisition transactions, we have collected highly valuable and insightful transaction data altogether with our comprehensive and expanding talent graph. Benefiting from the insights generated by those valuable data, our technology and Big Data team has continued to improve matching algorithm to further enhance our service quality and matching efficiency between job opportunities and candidates. In 2019, approximately 71% of candidates' job applications were matched with job opportunities with the assistance of our AI matching technology before referral of job opportunities to our individual users.

In the second half of 2019, we submersed our target individual users by launching our innovative video-based talent platform *Duomian* (多面) to better cater to the needs of the younger generation and their needs of expressing personality freely. Video job descriptions from business users as well as short videos of self-introduction or answers to default questions are encouraged so that candidates can better present themselves, especially their personality, soft skills, and their characters in a more natural way. The video-based platform also becomes a handy tool for enterprises to conduct online interviews with potential candidates. Business users also leverage AI interviewers to assess candidates and job suitability based on aptitudes, confidence level and behavior science.

With (i) our core platform *Liepin* (獵聘), which serves mid-to high-end talents with annual income exceeding RMB100,000, (ii) *Consultants for Global Leadership*, our executive search service which serves senior executives with annual income exceeding RMB800,000, and (iii) *Duomian* (多面), a video-based talent platform for young professionals, we currently have the capability of providing full spectrum of talent acquisition solutions for different demographics of talents to our business customers. Year 2019 was a successful year for our vertical strategy to penetrate different segments of talents.

Growth of Total Human Resources Solutions

In 2019, we formulated a long-term and well-rounded strategy to penetrate human resources market to further cater for the diversified needs of business customers by leveraging the synergies from our existing talent acquisition platform.

Flexible Staffing Platform — Xunhou (勛厚)

We successfully diversified our services to enter into the flexible staffing services to business customers, especially new economy customers. Flexible staffing services can enable enterprises to cope with the rise and fall of staffing demand. With the belief that flexible staffing could be a solution to cope with challenges such as economic instability and precipitated crises, we launched our *Xunhou* (勛厚) brand in June 2019 which specializes in mass recruiting and flexible staffing. Our proprietary SaaS platform enables the business customers to access real-time information about unfilled job positions and monitor and analyze job performance of their flexible staff. Our business customers can significantly benefit from such customized flexible staffing solutions as they can streamline their staffing costs and increase their flexibility during economic downturns.

We believe that, as a leading talent service platform, we have accumulated in-depth knowledge and abundant experience in the human resources industry. We have competitive advantages to grow our flexible staffing business to a much bigger scale in the foreseeable future. Firstly, we have mastered the business know-how in hiring business so that we have the capability of conducting mass recruiting quickly and efficiently and constantly providing our customers with sufficient supply of talents. Secondly, leveraging our proprietary SaaS-based platform and our technology advancement can substantially increase the flexibility and efficiency in staffing deployment nationwide. Thirdly, with our strong position in mid-to high-end talent market, we have started to promote flexible staffing of mid-to high-end positions for our customers, which could form an entry barrier for other competitors in the market.

Assessment and Training Platform — Lebanban (樂班班)

In 2019, we re-launched *Lebanban* (樂班班), our proprietary assessment and training app and SaaS platform. This innovative product can provide video-based training, such as leadership training and courses for professional skillset to employees. Direct managers and human resources department can assign training schedule, conduct assessment questionnaires, and track the completion status of employee training. Employees can utilize the mobile app to conduct online training and even take exams when they have free time to spare. This becomes a handy tool for both human resources department to organize online training and employees to attend training and assessments.

Survey SaaS Platform — Wenjuanxing (問卷星)

In 2019, we invested strategically 66.6% of the equity interest in Changsha Ranxing Information Technology Co., Ltd. (長沙冉星信息科技有限公司) ("**Changsha Ranxing**"), whose main product *Wenjuanxing* (問卷星) was the leading online survey SaaS platform in China in terms of numbers of users and numbers of surveys conducted. In 2019, approximately one billion surveys were conducted on *Wenjuanxing* platform. *Wenjuanxing* platform is highly compatible with the Group's talent services business and will assist the Group to provide one-stop employee surveys, assessments and balloting services to its users.

Wenjuanxing (問卷星) was the leading online survey SaaS platform in terms of keyword search on the Internet in China among all online survey platforms in 2019. Apart from marketing surveys, a significant portion of surveys and questionnaires conducted through *Wenjuanxing* platform are initiated by the human resources departments of enterprises such as employee satisfaction assessment, training and assessment, and corporate event registrations. After the initial integration, we have been working closely together with *Wenjuanxing* team to acquire individual users at a reasonable cost and better monetize through SaaS subscription packages for our existing enterprise customers.

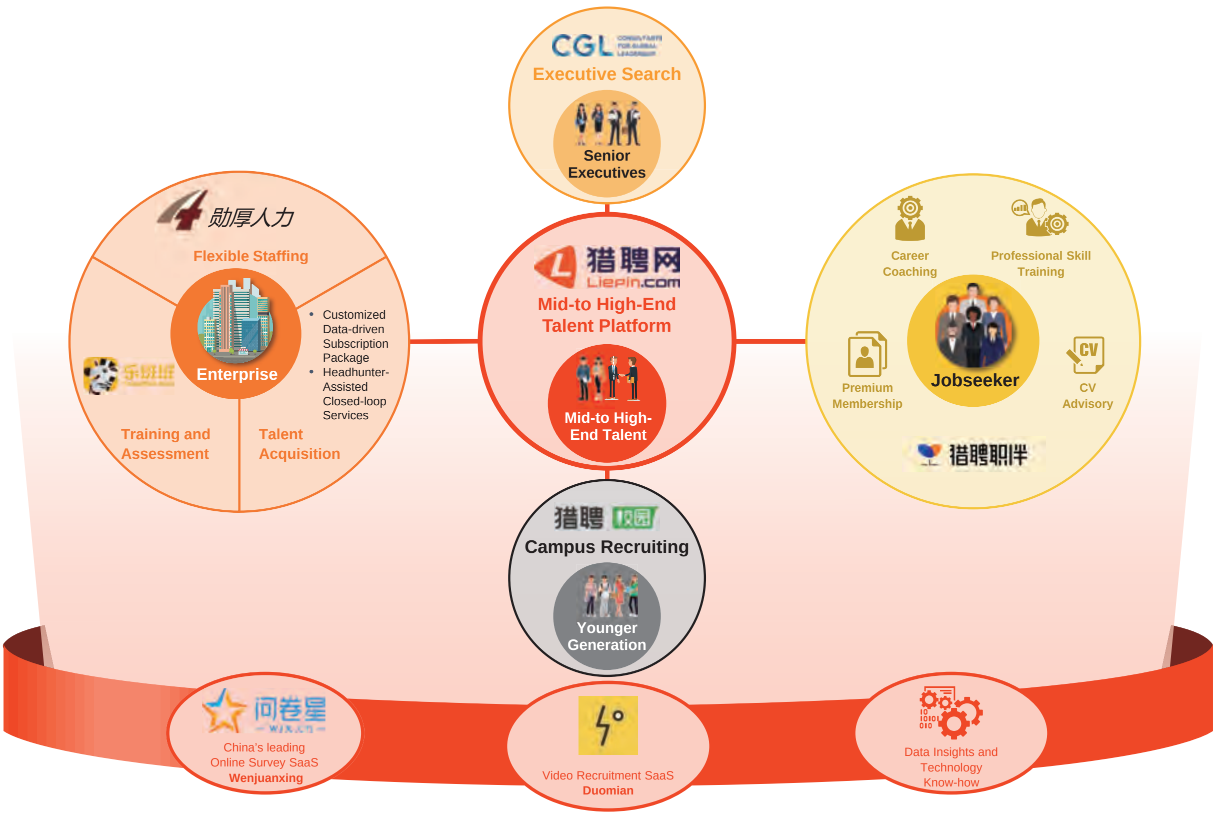
We expect that the strategic investment will bring growth synergies to the Group primarily from the following three aspects:

More Comprehensive Services for Enterprise Customers: the Company expects that many of the enterprise customers of the Group will also become enterprise customers of *Wenjuanxing* (問卷星). Accordingly, through the strategic investment, the Company will be able to provide a more comprehensive set of services covering the whole spectrum of talent and HR service tools to its enterprise customers.

Increased User Traffic from Individual Users: the Company will be able to access the large amount of user traffic on *Wenjuanxing* (問卷星) following the completion of the strategic investment, and will be able to introduce the Group's online talent services to such a large number of individual users from *Wenjuanxing* (問卷星). As many of such individual users are also potential job seekers, the Company expects that it will be able to further expand its talent base through the strategic investment.

Better utilization of user data: after completion of the strategic investment, the Company expects to utilize the in-depth knowledge obtained from its users, as well as *Wenjuanxing* (問卷星), to host more targeted advertisements, which is expected to generate better advertising income from the enlarged Group's customers.

Our Total Solution Offerings across HR Value Chain



Expansion of Talent Pool

We build our ecosystem which connects our massive, active and high-quality talent base with talents, individual users, business users, headhunters, and other talent service providers to maximize their values throughout their career and business cycles. Through this ecosystem, we have fundamentally transformed how talent is connected to career opportunities and built a reputation as a trusted talent service platform for all participants in our ecosystem.

The number of registered individual users increased from 46.9 million as of 31 December 2018, with an average annual salary of RMB168,341 to 54.2 million as of 31 December 2019, with an average annual salary of RMB179,114.

Our traffic reached record high in July 2019. We observe a strong level of activeness among our individual users and the level of engagement of our registered individual users continues to grow. We continue to offer products and services for free to our registered individual users, including the creation of professional profiles with customized privacy setting on our platforms, personalized job and headhunter recommendations powered by Big Data and AI technology, as well as social network and career content services provided through our *Liepin* (獵聘) mobile app. During 2019, we have also added certain new features to our free basic services to enhance user experiences, including new features to *Direct Recruitment* (直招), for example, candidate-to-candidate direct recruitment.

We offered our services to our individual users under the brand *Liepin Zhiban* (獵聘職伴), including value-added services to our individual users who require from us career services in addition to the aforesaid free basic services and premium membership packages under different pricing plans for which individual users can subscribe on a monthly, quarterly, semi-annually and annual basis to access to a variety of enhanced functions and tools (e.g. top placement of their professional profiles and Group messaging to a large number of headhunters and business HRs). CV advisory services are provided tailored to the different needs of individual paying users based on the length of their work experience by leveraging on third-party professional advisors. We also offer *Career Advisory Services* (生涯諮詢) which helps individuals clarify career development questions, conduct career positioning and achieve better career development, and *Professional Skills Training* (面試教練) which provides one-on-one interview coaching and mock interviews and helps talents practise interview skills and improve interview passing rate. By leveraging our ecosystem partners, we were able to provide such personalized career services at affordable prices and at large scale to help our individual users to pursue their ideal jobs. We generated RMB80.0 million of revenue from individual users in 2019 (compared with RMB60.5 million in 2018).

Leveraging on our talent networks and AI technology, we have mapped out a comprehensive and expanding talent graph and accumulated data insights that are difficult to replicate. Our talent database accumulates a vast and growing amount of rich, up-to-date and relevant information of job candidates. Such information reflects individual users' profiles, behaviors and social interactions, mutual endorsement, variation and transactions. The networking and social functions of our online professional community enable us to capture users' behavioral data. We collected and analyzed user-generated data to model and predict user intentions and behaviors.

Strengthened Partnership with Headhunters

Headhunters are critical partners in our ecosystem. Fundamentally different from any other online recruiting platform, not only can headhunters source candidates for free, but they can manage their candidate sourcing process in customized ways via *Chenglietong* (誠獵通) for free.

This SaaS-based headhunter platform can streamline and optimize headhunters' sourcing process, internal management and dashboard throughout their service process including posting jobs, downloading and managing candidate CVs and initial contacts with candidates on *Chenglietong* (誠獵通) SaaS platform.

The number of our verified headhunters increased from 137,031 as of 31 December 2018 to 158,365 as of 31 December 2019. The total number of contacts with registered individual users by our verified headhunters also increased from 729.0 million to 851.5 million over the same period. During 2019, headhunters significantly boosted up the level of activity and engagement of registered individual user.

The table below summarizes the key operating metrics of the Company as of the dates indicated.

	As of 31 December	
	2019	2018
Individual Users		
Number of registered individual users (in millions)	**54.2**	46.9
Number of individual paying users (accumulative)	**273,744**	178,901
Average annual salary of registered individual users (in RMB)	**179,114**	168,341
Number of CVs (in millions)	**54.2**	46.9
Business Users and Customers		
Number of verified business users	**559,568**	338,658
Number of business customers	**51,773**	48,230
Number of job postings (in millions)	**5.2**	3.9
Headhunters		
Number of verified headhunters	**158,365**	137,031
Number of contacts with registered individual users by our verified headhunters (in millions)	**851.5**	729.0

FUTURE OUTLOOK AND STRATEGIES

In 2019, we faced both opportunities and challenges and we have seen more cautious recruitment plans and budgets from employers and the market turbulence and uncertainties in light of certain macro-economic factors such as slowdown of China GDP growth and the US-China trade war. Nonetheless, we are generally optimistic about the long-term prospect of the PRC human resources industry as well as our business while remaining cautious of any risk of short-term fluctuations of business confidence in economic growth, which might ultimately affect employers' hiring sentiments and, hence, their budgets on procuring talent acquisition services.

The US-China trade war will no doubt affect business sentiment, investment and economic growth and raise business uncertainty in a short run. However, we believe that the effects of the US-China trade war would prompt the PRC government to expedite the economic structural transformation and industrial advancement of China.

We strongly believe that talent upgrade is the prerequisite for such economic structural transformation and industrial advancement. Chinese companies will be forced to implement organizational upgrade to better address their challenges, which will increase the demand for mid-to high-end talents, require ongoing talent upgrade and prompt the shifting from traditional offline recruitment services to more advanced, efficient and cost-effective online talent acquisition services. In addition, the PRC mid-to high-end talent acquisition services market is still predominantly served by traditional offline recruitment service providers and under penetrated by online talent acquisition services platforms and there is a huge potential growth for these online platforms.

On the other hand, we have seen new opportunities in one-stop human resource services, especially survey services and flexible staffing as customers need deep data insights of their flexible staff and also streamline their cost structure and improve flexibility to cope with the rise and fall of the staffing demand.

There were both opportunities and challenges for us in 2019 and in the first quarter of 2020 as we have seen more cautious recruitment plans and budgets from employers and the market turbulence and uncertainties due to certain macro-economic factors, for instance, the slowdown of China GDP growth, the US-China trade war and the outbreak of contagious coronavirus (COVID-19). Nonetheless, we are generally optimistic about the long-term prospect of the PRC human resources industry and our business while we will remain cautious of any risk of short-term fluctuation of enterprises' confidence on economic growth, which might ultimately affect employers' hiring sentiments and their budgets on procuring talent acquisition services.

We expect that the outbreak of COVID-19 would bring short-term negative impacts on economic activities in China in the first quarter of 2020. In particular, lower hiring sentiment, especially in small and medium-sized enterprises, is expected to result in slowdown of recruiting activities, which will likely be aggravated by restrictions on individuals' physical activities. In order to facilitate recruiting activities of our business and individual users amid the outbreak of COVID-19, we provided free access to our online platforms for recruiters and organized online direct hiring and headhunter meeting sessions. We also offered free career development consulting services to individual users whose employment is affected by the viral outbreak.

Despite these challenges, we have seen new opportunities in total human resource solutions, for instance, survey services and flexible staffing. Data insights facilitate our customers to implement flexible staffing and streamline their cost structure, which enhance their flexibility to cope with the fluctuation of hiring demand. We observe surging demand for flexible staffing due to the shortage of labor as a result of the outbreak of COVID-19. To address the shortage of labor, *Xunhou* (勛厚) provided staff sharing services and successfully placed employees for enterprises engaging in delivery services. *Wenjuanxing* (問卷星) collected data-powered insights through surveys and offered assistance to schools, healthcare institutions, government and communities, for instance, a social survey conducted for Chinese Academy of Labor and Social Security concerning the impact of outbreak of COVID-19. The outbreak of COVID-19 can also potentially be a catalyst for small and medium-sized enterprises to gradually move towards online hiring, especially for those enterprises with lower hiring frequency. We expect that video-based recruitment platforms *Duomian* (多面) would gain popularity and become an essential channel for recruitment and there would be sustainable demand for flexible staffing. Furthermore, we observe an increasing demand for diverse enterprises services, such as online training and employee surveys during the outbreak of COVID-19. We provided free online courses on corporate strategies to cope with the current challenges on *Lebanban* (樂班班) to our business and individual users. Overall, we are determined to provide diversified and thorough services to our customers with our well-rounded solutions and service lines in 2020.

During the tough economic cycle with low market visibility, we will stay focused on our long-term strategies on our investments in technological innovations and data capabilities in order to grow our talent base and enhance users' experience. We will also focus on investments on branding, and sales and services efficiency to broaden our customer base and product offerings in order to bring more headhunters to empower our ecosystem and penetrate the human resources market to cater to the diversified needs of our business customers. In the long run, we remain confident on our prospects with the immediate responses from the government, the anticipated level of economic activity and sustainably growing hiring demand.

FINANCIAL REVIEW

Revenue

Our revenue was RMB1,513.5 million in 2019, a 23.5% increase from RMB1,225.3 million in 2018, which was primarily due to the increase in the number of business customers and average revenue per user. Specifically, while small and medium-sized enterprises encountered more challenges during the tough cycle since they are more vulnerable to adverse macro-economic conditions and it has become more difficult for them to obtain liquidity from financial institutions, our average revenue per user increased during 2019 as we have been able to secure more hiring budget from our key customer accounts by providing a wide range of hiring services. During the period under review, approximately 94.6% of our revenue was generated from providing talent acquisition services to our business users, primarily in the forms of (1) customized subscription packages that include various talent services charging various fixed rates, and (2) transaction-based talent acquisition services that charge a fixed rate based on the offered annual salary of a particular job upon completion of certain hiring milestones. We also generated a small portion of our revenues by providing professional career services to individual paying users, such as premium membership services, career coaching and CV advisory services to our registered individual users. The table below sets forth a breakdown of sources of our revenue for the periods indicated:

	For the year ended 31 December			
	2019		2018	
	RMB'000	**%**	*RMB'000*	%
Talent acquisition services to business users	**1,431,285**	**94.6**	1,162,605	94.9
Professional career services to individual paying users	**79,967**	**5.3**	60,547	4.9
Rental income from investment property	**2,222**	**0.1**	2,156	0.2
Total	**1,513,474**	**100.0**	1,225,308	100.0

Revenue from talent acquisition services to business users was RMB1,431.3 million in 2019, a 23.1% increase from RMB1,162.6 million in 2018, primarily due to the increase in number of business customers and increase in average revenue per user.

Revenue from professional career services to individual paying users was RMB80.0 million in 2019, a 32.1% increase from RMB60.5 million in 2018, primarily due to more product innovation provided to mid-to high-end talents.

Revenue from rental income from investment property was RMB2.2 million in 2019 (2018: RMB2.2 million), which remained relatively stable.

Cost of Revenue

Our cost of revenue primarily comprises service and project expenses, salaries and benefits for our talent acquisition service personnel, and IT infrastructure and maintenance costs. Our cost of revenue was RMB345.8 million in 2019, a 45.5% increase from RMB237.7 million in 2018. The percentage increase in cost of revenue was higher than the percentage increase in revenue, which was mainly driven by the change in product mix as a result of customers' preference in using closed-loop services and result-driven products causing an increase in project expenses and headhunters associated costs.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Company's gross profit was RMB1,167.7 million in 2019, a 18.2% increase from RMB987.7 million in 2018. Gross profit margin decreased to 77.2% in 2019 from 80.6% in 2018 due to the change in product mix as a result of customers' preference in using closed-loop services and result-driven products with lower profit margin causing an increase in project expenses and headhunters associated costs.

Sales and Marketing Expenses

Our sales and marketing expenses primarily comprised salaries and benefits (including share-based compensation expenses) for sales, sales support services and marketing personnel, advertising and promotion expenses and other expenses associated with our sales and marketing activities. Our sales and marketing expenses were RMB723.3 million in 2019 and RMB713.1 million in 2018, which remained relatively stable. The share-based compensation expenses were RMB8.3 million in 2019 and RMB9.4 million in 2018. Our sales and marketing expenses as a percentage of revenue decreased from 58.2% in 2018 to 47.8% in 2019, primarily due to improving operation leverage driven by the increase in efficiency of our sales and service team.

General and Administrative Expenses

Our general and administrative expenses primarily encompassed salaries and benefits (including share-based compensation expenses) for our general and administrative personnel, office expenses (including rental expense) and other operating expenses which include impairment losses for doubtful accounts receivable. Our general and administrative expenses were RMB247.4 million in 2019, a 16.9% increase from RMB211.7 million in 2018, which was primarily due to the increase in office rental expenses and increase in management personnel costs, and the increase in the share-based compensation expenses from RMB23.7 million in 2018 to RMB27.3 million in 2019. Our general and administrative expenses as a percentage of revenue decreased from 17.3% in 2018 to 16.3% in 2019, primarily due to the increase in operating efficiency.

Research and Development Expenses

Our R&D expenses primarily comprised salaries and benefits (including share-based compensation expenses) for R&D personnel and other R&D related expenses, such as office rental and depreciation of equipment associated with R&D activities. Our R&D expenses were RMB185.2 million in 2019, a 33.8% increase from RMB138.4 million in 2018. In order to seize the significant long-term growth opportunities, we invested aggressively in R&D headcounts and personnel costs, and the share-based compensation expenses increased from RMB15.2 million in 2018 to RMB18.2 million in 2019. As a percentage of revenue, our R&D expenses increased from 11.3% in 2018 to 12.2% in 2019, primarily as a result of product innovations, upgrade of existing products and integration of the systems developed for those newly acquired subsidiaries with the Group's existing system in order to achieve synergy.

Other Income

Other income primarily comprised income derived from interest income from bank deposits. Our other income increased by 71.7% from RMB69.9 million in 2018 to RMB120.1 million in 2019, primarily as a result of increase of interest income from bank deposit and government grant.

Profit/(Loss) from Operations

As a result of the foregoing, our profit from operations in 2019 was RMB131.8 million, compared to a loss from operations of RMB5.7 million in 2018, primarily attributable to the (i) the increase in gross profit as a result of the higher average revenue per user due to the higher level of market acceptance of the Company's products, including its new products, for instance, *Liepin Assessment and Training* (獵聘培訓), *Campus Recruitment* (校園招聘) and *Staffing Business* (勛厚); (ii) the improvement of sales efficiency (i.e. the decrease in sales bonus payout ratio as a result of the higher proportion of recurring revenue) and the strict spending control as the average size of our sales and service team remained stable; and (iii) the increase in other income as a result of the increase in interest income from bank deposits and government grant.

Net Finance Income

Net finance income primarily consists of interest on lease liabilities rising from the adoption of IFRS 16, bank charges and foreign currency exchange gain due to fluctuation of USD against RMB. Our net finance income was RMB1.9 million in 2019, compared to a net finance income of RMB16.8 million in 2018, primarily as a result of the increase in interest on lease liabilities and the decrease in foreign currency exchange gain.

Profit before Tax

As a result of the foregoing, profit before tax was RMB141.3 million in 2019, compared to a profit before tax of RMB10.2 million in 2018.

Income Tax Expenses

Income tax expenses was RMB14.7 million in 2019, compared to income tax expenses of RMB7.4 million in 2018, primarily due to the increase in current income tax as a result of the significant increase in profit before taxation.

Profit for the Year

As a result of the aforementioned factors, profit for the year was RMB126.6 million in 2019, increasing from RMB2.7 million in 2018.

Non-GAAP Financial Measures

To supplement the consolidated results of the Group prepared in accordance with IFRS, non-GAAP profit attributable to equity owners of the Company (excluding share-based compensation expenses and one-time listing expenses) has been presented in this annual report. On 12 January 2020, the Group issued a profit alert announcement expecting an increase in non-GAAP operating profit for the year ended 31 December 2019 (the "**Positive Profit Alert**"). To enable the shareholders of the Company and potential investors to make an informed assessment of the Group's performance in conjunction with the Positive Profit Alert, the non-GAAP operating profit of the Company (excluding share-based compensation expenses and one-time listing expenses) has also been presented in this annual report.

These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies. The Company's management believes that these non-GAAP financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and one-off expenses.

		For the year ended 31 December	
		2019 (unaudited) *RMB'000*	2018 (unaudited) *RMB'000*
A.	***NON-GAAP PROFIT FROM OPERATION***		
	Profit/(Loss) from Operation	**131,800**	(5,658)
	Listing expenses	**—**	47,184
	Share-based compensation expenses	**53,767**	48,336
	Non-GAAP Profit from Operation	**185,567**	89,862
B.	***NON-GAAP PROFIT ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY***		
	Profit attributable to equity owners of the Company	**120,353**	7,737
	Listing expenses	**—**	47,184
	Share-based compensation expenses	**53,767**	48,336
	Non-GAAP Profit attributable to equity owners of the Company	**174,120**	103,257

Total Comprehensive Income

As a result of the foregoing, total comprehensive income attributable to the owners of the Company and non-controlling interests was RMB172.7 million in 2019, a 77.3% increase from RMB97.4 million in 2018.

LIQUIDITY AND FINANCIAL RESOURCES

We expect our liquidity requirements will be satisfied by a combination of cash generated from operating activities, investing activities and the net proceeds from the initial public offering. We currently do not have any plan for material additional external debt or equity financing. We will continue to evaluate potential financing opportunities based on our need for capital resources and market conditions.

We had cash and cash equivalents of RMB648.3 million and RMB359.2 million in 2018 and 2019 respectively. Our cash and cash equivalents are held in RMB, HKD and USD. The following table sets forth our cash flows for the periods indicated:

	For the year ended 31 December	
	2019	2018
	(in RMB'000)	
Net cash generated from operating activities	**249,191**	203,810
Net cash (used in) investing activities	**(495,085)**	(2,229,071)
Net cash (used in)/generated from financing activities	**(69,121)**	2,351,703
Net (decrease)/increase in cash and cash equivalents	**(315,015)**	326,442
Effect of foreign exchange rate changes	**25,840**	70,544
Cash and cash equivalents at the beginning of the Reporting Period	**648,331**	251,345
Cash and cash equivalents at the end of the Reporting Period	**359,156**	648,331

Net Cash Generated from Operating Activities

In 2019, net cash generated from operating activities was RMB249.2 million, compared to net cash generated from operating activities of RMB203.8 million in 2018, primarily because of the growth of business and cash advances from business customers.

Net Cash Used in Investing Activities

In 2019, net cash used in investing activities was RMB495.1 million, compared to net cash used in investing activities of RMB2,229.1 million in 2018, which was mainly attributable to net cash generated from the proceeds from maturity of time deposits with banks, net of the placement of time deposits with banks and the cash used in payment for business acquisition net of cash acquired.

Net Cash (Used in)/Generated from Financing Activities

In 2019, net cash used in financing activities was RMB69.1 million, mainly attributable to payment for shares held for share award schemes and capital element of lease rentals paid, compared to net cash generated from financing activities of RMB2,351.7 million in 2018, which was mainly attributable to the proceeds from the initial public offering.

CAPITAL EXPENDITURES AND LONG-TERM INVESTMENTS

The following table sets forth our capital expenditures and long-term investments for the periods indicated:

	For the year ended 31 December	
	2019	2018
	(in RMB'000)	
Payment for property, plant and equipment and intangible assets	**16,513**	19,384
Payment for the purchase of equity securities	**57,769**	115,326
Payment for business acquisition net of cash acquired	**835,221**	—
Total capital expenditures and long-term investments	**909,503**	134,710

Our capital expenditures and long-term investment primarily included payment for property, plant and equipment and intangible assets, payment for the purchase of equity securities and payment for business acquisition net of cash acquired. In 2019, we have invested an aggregate of approximately RMB892,990 million in different companies that have technologies or businesses that supplement and benefit our business, which includes the payment of RMB826.96 million for the investment in Changsha Ranxing.

GEARING RATIO

The gearing ratio (calculated as total bank and other borrowings divided by total assets/capital) of the Company as at 31 December 2019 was 1.4% (31 December 2018: nil).

The Board and the Audit Committee constantly monitor current and expected liquidity requirements to ensure that the Company maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

INVENTORIES

Due to the nature of our business being an online platform for talent acquisition services, we have no inventories to be disclosed.

BORROWINGS AND BONDS

As at 31 December 2019, the Group had two bank loans with principal amount of RMB24 million due on 18 September 2020 and RMB35 million due on 7 October 2020, respectively, both of which are denominated in RMB. They are all unsecured and with fixed interest rate of 6% per annum.

Save as disclosed above, the Company had no other bank loans, convertible loans and borrowings nor did the Company issue any bonds.

CONTINGENT LIABILITIES

As of 31 December 2019, we did not have any material contingent liabilities.

FOREIGN EXCHANGE RISK

Our transactions are denominated and settled in its functional currency, RMB. Our subsidiaries and PRC operating entities primarily operate in China and are exposed to foreign exchange risk primarily through deposits at banks which give rise to cash balances that are denominated in foreign currency, i.e. a currency other than the functional currency in which our transactions denominated. The currencies giving rise to this risk are primarily USD. We have not hedged against any fluctuation in foreign currency, nor was any financial instrument used for hedging purposes as of 31 December 2019. Our PRC subsidiaries and PRC operating entities all have RMB as their functional currency. We had foreign currency exchange gain (both realized and unrealized) of RMB19.4 million in 2018 and foreign exchange gain of RMB9.0 million in 2019, recognized as net finance income in the consolidated statement of profit or loss and other comprehensive income. The foreign currency exchange gain in 2019 was mainly attributable to USD appreciation against RMB.

CREDIT RISK

Our credit risk is mainly attributable to bank deposits, prepayments, trade and other receivables. Management has a credit policy in place and the exposures to these risks are monitored on an ongoing basis.

Bank deposits are placed with reputable banks and financial institutions.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and to take into account information specific to the customers as well as pertaining to the economic environment in which the customer operates. The Group does not normally obtain collateral from customers.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and hence significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. We did not have significant concentration of debtors as of 31 December 2019.

LIQUIDITY RISK

Individual operating entities within our Group are responsible for their own management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. Our policy is to regularly monitor liquidity requirements and compliance with lending covenants, to ensure that the operating entities maintain sufficient reserves of cash and realizable marketable securities and adequate committed lines of funding from major financial institutions to meet their liquidity requirements in the short and long terms.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in the section headed "Material Acquisitions and Disposals" below, as at 31 December 2019, there was no other significant investment held by the Group.

PLEDGE OF ASSETS/CHARGE ON ASSETS

There was no pledge of the Group's assets as at 31 December 2019.

HUMAN RESOURCES

For details about our employees and remuneration policy, please refer to the section "Report of Directors — Staff, Remuneration Policy and Directors' Remuneration" of this annual report.

MATERIAL ACQUISITIONS AND DISPOSALS

In 2019, the Group entered into an equity transfer agreement with Founder Zhuting, Hangzhou Enniu Network Technology Co., Ltd. ("**Hangzhou Enniu**") and Hangzhou Fanniu Investment Management Limited Partnership ("**Hangzhou Fanniu**") and a capital increase agreement with Shanghai Xunhou Human Resources Co., Ltd (上海勛厚人力資源有限公司) ("**Xunhou**"), a PRC company engaging in mass recruiting and flexible staffing, pursuant to which the Group agreed to acquire an additional 25.91% equity interest in Xunhou with a total cash consideration of RMB40.76 million. The Company believes that the launch of XunHou (勛厚) enables the customers to benefit significantly from customized flexible staffing solutions as they can streamline their staffing costs and increase flexibility during economic downturns. As of 31 December 2019, the industrial and commercial modification procedures have been completed.

On 31 May 2019, the Group entered into an equity transfer agreement with Liepin Kaipusi (Tianjin) Information Technology Co., Ltd (獵聘凱普斯(天津)信息技術有限公司) ("**Liepin Kaipusi**"), a PRC company which provides campus recruitment industry solution services for its customers to identify target student candidates and to recruit the candidates through their customized recruitment solutions, pursuant to which the Group agreed to acquire approximately 71.2% equity interest in Liepin Kaipusi with a total cash consideration of RMB22.51 million. The acquisition was completed on 31 May 2019. As a result, Liepin Kaipusi became a subsidiary of the Group held as to approximately 71.2% by the Group.

The Company believes that both of these acquisitions have technologies or business that supplement and benefit our business in the coming years.

Liepin (HK) Information Technology Co., Limited, a wholly-owned subsidiary of the Company ("**Liepin (HK)**") entered into (i) two investment term sheets dated 26 March 2019 (the "**Investment Term Sheets**"); and (ii) the strategic investment framework agreement dated 26 August 2019 (the "**Investment Framework Agreement**") (which replaced the Investment Term Sheets in their entirety), pursuant to which Liepin (HK) agreed to strategically invest in an aggregate of 66.60% of the total number of shares in the offshore holding company established in the Cayman Islands to control Changsha Ranxing, for a total consideration of RMB826.96 million (collectively, the "**Strategic Investment**"). On 25 November 2019, TD Elite (HK) Information Technology Co., Limited, a wholly-owned subsidiary of the Company and Liepin (HK)'s designee, entered into two share transfer agreements in relation to the Strategic Investment. Following the completion of the Strategic Investment, Changsha Ranxing became a non-wholly owned subsidiary of the Company by virtue of a series of contractual arrangements (the "**Changsha Ranxing Contractual Arrangements**").

The Board believes that the Strategic Investment will help strengthen and expand the service coverage of the Group, and further improve the Group's ability to provide users with comprehensive talent services.

For details of the Strategic Investment and the Changsha Ranxing Contractual Arrangements, please refer to the Company's announcements dated 27 March 2019, 26 August 2019, 25 November 2019 and 27 November 2019.

Save as disclosed above, the Group did not have any other material acquisition or disposal of subsidiaries or associated companies during the year ended 31 December 2019.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering of the Company were approximately HKD2,804.6 million. HKD646.6 million out of the net proceeds have been utilized as at 31 December 2019 in the manner consistent with that disclosed in the prospectus of the Company dated 19 June 2018 under the section headed "Future Plans and Use of Proceeds". As at 31 December 2019, the unutilized net proceeds was in the amount of approximately HKD2,158.0 million.

During the years ended 31 December 2018 and 2019, the Group applied the net proceeds for the following purposes:

	Use of proceeds as stated in the Prospectus *(in HKD'000)* (approximate)	Actual use of proceeds in 2018 *(in HKD'000)* (approximate)	Actual use of proceeds in 2019 *(in HKD'000)* (approximate)	Net proceeds unutilized as at 31 December 2019 *(in HKD'000)* (approximate)	Expected time of use
40% for enhancement of R&D capabilities and product offerings	1,121,840	64,941	164,814	892,085	To be gradually used in 2020 and 2021
25% for pursue of acquisitions of or investments in assets and business and support our growth strategies	701,150	20,691	131,085	549,374	To be gradually used in 2020 and 2021
25% for improvement and implementation our sales and marketing initiative to (i) expand our user and customer base and increase spending by our existing customers; and (ii) continued optimization of our online advertising and promotion activities marketing	701,150	96,984	116,710	487,456	To be gradually used in 2020 and 2021
10% for working capital and general corporate purpose	280,460	17,487	33,900	229,073	To be gradually used in 2020 and 2021
	2,804,600	200,103	446,509	2,157,988	

For the unutilized net proceeds in the amount of approximately HKD2,158.0 million as at 31 December 2019, the Company intends to apply them in the same manner and proportion as stated in the Prospectus and proposes to use the unutilized net proceeds in accordance with the expected timeframe disclosed in the Prospectus.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, the Group has no other plans for material investments and capital assets.

DIRECTORS

Executive Directors

Mr. Dai Kebin (戴科彬), aged 39, is our executive Director, appointed on 30 January 2018. He is also the Chairman of the Board and the Chief Executive Officer of our Company. He is primarily responsible for the overall strategic planning and business direction of our Group and management of our Company. He is also the Chairman of the Nomination Committee. Prior to joining our Group, Mr. Dai worked as a brand manager in the marketing department in the Great China region of Procter & Gamble Company, a company currently listed on the New York Stock Exchange (stock symbol: PG), from July 2003 to February 2008. Mr. Dai received a bachelor's degree in finance from Sun Yat-sen University in June 2003. Mr. Dai currently holds directorships in the following principal subsidiaries of our Group: Wisest, TD Elite and Liedao.

Mr. Chen Xingmao (陳興茂), aged 43, is our executive Director, appointed on 23 March 2018. He is also the Chief Technology Officer of the Company. He is primarily responsible for overseeing our product research and development and developing strategies for the technological advancement of our Group. Prior to joining our Group, Mr. Chen worked at Xiamen Dongnan Longtop Technologies Limited from December 2005 to September 2006. Mr. Chen received a bachelor's degree in marine chemistry and a master's degree in environmental science from Ocean University of China (formerly known as Ocean University of Qingdao) in July 1999 and June 2002, respectively. Mr. Chen currently holds directorships in the following principal subsidiaries of our Group: Wisest and Liedao.

Ms. Xu Lili (徐黎黎), aged 38, is our executive Director, appointed on 23 March 2018. She is also the Chief Financial Officer of our Company. She is primarily responsible for overseeing the corporate finance of our Group, handling investor relationships, and overseeing all the investments and acquisitions of our Group. Prior to joining our Group, Ms. Xu held various positions at General Electric Company, a company currently listed on the New York Stock Exchange (stock symbol: GE), including as the chief financial officer of GE Power Generation Services China, from January 2005 to March 2014. Ms. Xu received a bachelor's degree in international business from Nanjing University in June 2003 and a master of science degree in local economic development from the London School of Economics and Political Science in November 2004. Ms. Xu is a public accountant certified by the Board of Accountancy of Washington State of the United States.

Non-executive Directors

Mr. Shao Yibo (邵亦波), aged 46, is our non-executive Director, appointed on 23 March 2018. Mr. Shao has been a founding partner of Matrix Partners China, a leading technology venture capital firm in the PRC since 2008. From 1999 to 2004, Mr. Shao was the founder and the chief executive officer of EachNet.com, an e-commerce company, which was acquired by eBay Inc., a company currently listed on the NASDAQ (stock symbol: EBAY), in July 2003. From July 2014 to May 2019, Mr. Shao served as a director of LexinFintech Holdings Ltd., a company whose shares are listed on NASDAQ (stock symbol: LX). From June 2018 to March 2019, Mr. Shao served as a non-executive director of BabyTree Group, a company currently listed on the Main Board of Hong Kong Stock Exchange (Stock code: 1761). Mr. Shao received a bachelor's degree, summa cum laude, in physics and engineering science from Harvard College of Harvard University in June 1995, and a master of business administration degree from Harvard Business School in June 1999. Mr. Shao currently holds directorships in the following principal subsidiaries of our Group: Wisest and TD Elite.

Mr. Zuo Lingye (左凌燁), aged 41, is our non-executive Director, appointed on 23 March 2018. He is also a member of the Audit Committee. Prior to joining our Group, Mr. Zuo has been one of the founding members of Matrix Partners China since 2008 and has over ten years of expertise of investing in technology companies. Mr. Zuo received a bachelor's degree in management information system and master of technical economics and management degree from Tsinghua University in July 2000 and in July 2002, respectively. Mr. Zuo served as an independent director in Cheetah Mobile Inc., a company listed on the New York Stock Exchange (stock symbol: CMCM), from December 2017 to October 2019. Mr. Zuo also currently serves as a director in Beijing OneAPM Co., Ltd., a company quoted on the National Equities Exchange and Quotations System and a director in Beijing Beisen Cloud Computing Co., Ltd., a company previously quoted on the National Equities Exchange and Quotations System.

Mr. Ding Gordon Yi (丁毅), aged 44, is our non-executive Director, appointed on 23 March 2018. He is also a member of the Remuneration Committee. Mr. Ding is a managing director of Warburg Pincus, which he joined in 2009 and focuses on investments in the technology, internet, media and education sectors in the PRC and other parts of Asia. Prior to joining Warburg Pincus, Mr. Ding worked at Citadel Investment Group from 2008 to 2009 and also in the investment banking divisions of Morgan Stanley Asia Limited and UBS Investment Bank from 2005 to 2007. Mr. Ding received a bachelor of science degree from Shanghai Jiao Tong University in July 1997 and a master of business administration degree from the Kellogg School of Management at Northwestern University, United States in June 2005. Mr. Ding currently holds directorship in the following principal subsidiaries of the Group: Wisest and INS Network (Beijing) Information Technology Co., Limited.

Independent Non-executive Directors

Mr. Ye Yaming (葉亞明), aged 56, is our independent non-executive Director, appointed on 9 June 2018. He is also a member of the Audit Committee and Nomination Committee. Mr. Ye served as the former chief scientist, the chief technology officer and senior vice president of Ctrip, a company currently listed on the NASDAQ (stock symbol: CTRP) from August 2011 to February 2017. From October 2001 to July 2011, he held various positions at eBay and he served as the director of software development before leaving. Mr. Ye received a bachelor's degree in mathematics from Jilin University in July 1984, a master of engineering degree from Institute of Computing Technology Chinese Academy of Sciences in September 1990 and a master of arts degree from Wayne State University in December 1993.

Mr. Zhang Ximeng (張溪夢), aged 43, is our independent non-executive Director, appointed on 9 June 2018. He is also the Chairman of the Remuneration Committee and a member of the Nomination Committee. Prior to joining our Group, since May 2015, Mr. Zhang has been the chief executive officer and one of the cofounders of GrowingIO, a data analytics company which provides closed-loop data operations across various industries. From April 2010 to February 2015, Mr. Zhang worked at LinkedIn Corporation, and he was senior director of business analytics before leaving. Mr. Zhang received a master of business administration degree from Baldwin Wallace University in May 2004.

Mr. Choi Onward (蔡安活), aged 49, is our independent non-executive Director, appointed on 9 June 2018. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee. Prior to joining our Group, Mr. Choi served as the acting chief financial officer of NetEase, Inc., a company listed on the NASDAQ (stock symbol: NTES), from July 2007 to June 2017. Mr. Choi received a bachelor of arts degree in accountancy with honors from the Hong Kong Polytechnic University in November 1993. Mr. Choi is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the CPA Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Choi served as an independent non-executive director of China ITS (Holdings) Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1900) from September 2008 to April 2019 and currently serves as a director in the following publicly listed companies:

- Beijing Jingkelong Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 814), as an independent non-executive director; and
- Tuniu Corporation, a company listed on the NASDAQ (stock symbol: TOUR), as an independent director.

SENIOR MANAGEMENT

Our senior management team, in addition to our Directors listed above, is as follows:

Mr. Dai Kebin (戴科彬), aged 39, is our executive Director, the Chairman of the Board and the Chief Executive Officer. Mr. Dai is primarily responsible for the overall strategic planning and business direction of our Group and management of our Company, and is acting as the Chairman of the Nomination Committee. Please see his biography in the part headed "Directors — Executive Directors" in this section.

Mr. Chen Xingmao (陳興茂), aged 43, is our executive Director and the Chief Technology Officer. Mr. Chen is primarily responsible for the overseeing product research and development, and developing strategies for technological advancement of our Group. Please see his biography in the part headed "Directors — Executive Directors" in this section.

Ms. Xu Lili (徐黎黎), aged 38, is our executive Director and the Chief Financial Officer. Ms. Xu is primarily responsible for the overseeing the corporate finance of our Group, handling investor relationships, and overseeing all investments and acquisitions of our Group. Please see her biography in the part headed "Directors — Executive Directors" in this section.

COMPANY SECRETARY

Ms. Fung Wai Sum (馮慧森), aged 37, is our company secretary. Ms. Fung is a senior manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Fung has over 10 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Fung is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom.

PRINCIPAL ACTIVITIES

We operate the leading talent acquisition services platform in China focused on mid-to high-end talents, where we host a range of proprietary online platform and SaaS solutions and provide them to our registered individual users, verified business users and verified headhunters over the internet. Through the application of AI technology and Big Data analytics, our mobile app, website and branded WeChat official account, we offer a comprehensive set of talent services to help businesses acquire talents more effectively. As we recognize the centrality of our service providing platforms to connecting different players of our ecosystem, we have continually revamped and improved the platforms' interfaces to enhance users' experience and strengthen the platform's security. In 2019, we launched a series of product innovations, including *Magic Mirror* (魔鏡), an AI interview screening system, *Duomian* (多面), an innovative video-based talent platform, and re-launched *Lebanban* (樂班班), an assessment and training app and SaaS platform to provide video-based training. Further details of such new products are set out in the section headed "Management Discussion and Analysis — Continued Development and Expansion of our Platform" at page 14 of this annual report.

There were no significant changes in the nature of the Group's principal activities during the year. Please refer to note 1 to the Consolidated Financial Statements on page 103 for details of the principal activities of the principal subsidiaries of the Group.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated financial statements of the Group on pages 95 to 182 of this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2019. There is no arrangement under which a Shareholder has waived or agreed to waive any dividend.

SHARE CAPITAL

Details of the issued shares of the Company during the year are set out in note 31(d) to the Consolidated Financial Statements.

RESERVES

Details of the movements in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 99 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law of the Cayman Islands, amounted to approximately RMB2,668.4 million.

FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial information and financial statements, is set out on page 184 of this annual report.

BORROWINGS

Details of the Group's borrowings are set out in note 27 to the consolidated financial statements.

Save as disclosed in this annual report, the Company had no other bank loans, convertible loans and borrowings nor did the Company issue any bonds as of 31 December 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the Consolidated Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

The Hong Kong Stock Exchange has granted a waiver (the "**Waiver**") to the Company from strict compliance with the minimum public float of 25% upon completion of the global offering of the Company and the exercise of the over-allotment options. Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the percentage of shares of the Company in public hands satisfies the minimum percentage prescribed in the conditions imposed in the Waiver granted by the Hong Kong Stock Exchange from strict compliance with Rule 8.08(1) of the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (the "**Articles of Association**") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION

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

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the "**AGM**") of the Company will be held on Monday, 15 June 2020. The notice of the AGM will be published and despatched in due course in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 10 June 2020 to Monday, 15 June 2020, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all duly completed share transfer forms accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration as soon as possible but in any event not later than 4:30 p.m. on Tuesday, 9 June 2020.

BUSINESS REVIEW

Overview and Performance of the Year

A review of the business of the Group and analysis of the Group's performance using financial key performance indicators is provided in the Management Discussion and Analysis section on pages 12 to 31 of this annual report.

Environmental Policies and Performance

The Group does not operate any production facility. Individual users, business users and headhunters can access our paperless platform via personal computers or mobile app, therefore, it is not subject to significant environmental risks, laws or regulations. Nevertheless, the Group is committed to environmental protection, energy conservation and emission reduction, and the rational use of resources and energy. Adhering to the concept of environmental protection, the Group has also promoted green operations and advocated the concept of green office. Environmental protection, energy conservation and emission reduction, and reasonable and effective utilization of resources have been consistently implemented during daily operation of the Group. The Group has also thrived to take action to reduce its footprint and raise environmental awareness of its employees. For example, the Group has been working on reducing its energy use, consumption and wastage by actively promoting recycling concept, using less paper, saving electricity and water and reducing the use of plastic supplies and containers.

The environmental and social matters that have a significant impact on the Group will be disclosed in the Environmental, Social and Governance Report to be issued separately under Environmental, Social and Governance Reporting Guide as specified in Appendix 27 of the Listing Rules.

Compliance with Relevant Laws and Regulations

The Group has complied with the requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "**CG Code**") for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). For further details, please refer to the section headed "Compliance with the Corporate Governance Code" in this section. The Group has also complied with other relevant laws and regulations that have a significant impact on the operations of the Group. Please refer to the section headed "Regulations" in the Prospectus for details.

Key Relationships with Stakeholders

With the goal of developing into a trustworthy public company and a green enterprise, the Company actively fulfills its social responsibility. The Group, with high-quality products and services, is committed to creating good internal and external corporate relationships and believes that good corporate governance helps the Company safeguard the interests of its shareholders and enhance the performance of the Group. We regard our employees as the most valuable assets of the Company and we provide regular trainings to them in order to broaden their knowledge and improve their skills. We also have efficient human resources management in place to maximise the potential of our employees.

As for headhunters, we regard them as not only players in our ecosystem but also valued business partners. Through giving weight to headhunters and individual users in the ecosystem of *Liepin* (獵聘), we have strengthened the interaction between headhunters and individual users, increased the number of repeated users and inspired users' loyalty, thus popularised our brand and enhanced the degree of activeness of our platform users. Details are set out in the Management Discussion and Analysis section from page 19 of this annual report.

The Group is committed to improving our services and products to our customers. Through our mobile app, website and branded WeChat official account, we offer a comprehensive set of talent services to help businesses acquiring talents more effectively. We are constantly in the process of exploring and refining enhancements to our systems, including intelligence recommendation to headhunters, *Onboarding Express* (入職快) rating system, interview invitation and online video interview, etc.

The Group recognizes the importance of protecting shareholders' interests and understands that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group believes that communication with its shareholders is a two-way process and has been proactive on ensuring the quality and effectiveness of information disclosure, maintaining an on-going dialogue with the shareholders and listen carefully to the views and feedback it receives from the shareholders. This has been achieved through AGMs, extraordinary general meetings, corporate communications, interim and annual reports and results announcements.

Key Risks and Uncertainties

There are certain key risks and uncertainties involved in our operations, some of which are beyond our control. Set out below is the material risks and uncertainties that we face:

Risks Relating to Our Business and Our Industry

The Group being a leading talent acquisition services platform in China focused on mid-to high-end talents who rely heavily on our business as well as individual customers' experience and usage as they are the primary source of our revenues. Major risks relating to our business and our industry include, but not limited to, (1) failure to improve our users' experience or respond to changes in user preferences such that we may not be able to attract and retain individual and business users, which may have adverse effect on our business and results of operations; (2) failure to respond in a timely and cost effective manner to rapid product and service innovations demand, which may have impact on our business and operating results; (3) failure to keep up with technological advancements or adopt new technologies timely in response to users demands, which may adversely affect our business and operating results; (4) significant competition from online and offline service providers, particularly professional social network platforms, which may lead us to suffer from a loss of individual and business users; and (5) seasonality in the hiring market and downturns in the macro-economic conditions in China may cause our results of operations fluctuate. In order to manage the Group's exposure to the aforementioned risks, the Group has been focusing on increasing the number of business users offering job opportunities, the quantity and quality of job postings on our platform, and the service quality of headhunters and other talent service providers so as to broaden our base of individual users. We are also committed to exploring and advancing our technologies in order to improve users' experience.

Other major risks relating to our business and our industry include (1) failure to attract or retain business customers or increase purchase from our existing customers; and (2) failure to continue to attract or incentivize headhunters and other talent service providers to participate in our ecosystems, which may harm our operating results. In order to manage the Group's exposure to the risk of failure to attract or retain business customers, the Group has strived and will strive to continually attract new business customers and retain existing business customers by providing additional high- quality services or solutions valued by the business customers. The Group has been working hard to demonstrate that its talent acquisition services are an important recruiting tool for its business customers. In order to continue to attract or incentivize headhunters and other talent service providers to participate in our ecosystem, we will continue to grow our talent base and attract more business customers to use our platform and services. Further, we will continue improving and introducing services and tools to the headhunters and other service providers to enable them to better serve the individual and business users on our platform.

Risks Relating to Potential Claims or Proceedings Brought against Us

Major risks relating to potential claims or proceedings brought against us include, but not limited to, (1) failure to comply with laws and regulations on collection, disclosure, security and use of personal data and other privacy-related matters could damage our reputation and deter our users from using our services and may result in proceedings or actions against us by government entities or private individuals; (2) we may be vulnerable to intellectual property infringement claims brought against us by others in the ordinary course of our business. The Group has obtained necessary licenses and permits to operate its business. The Group has internal policies and measures that require employees to protect the personal data of our users and customers, and employees who violate such policies are subject to disciplinary actions, including dismissal. The Group has also adopted and implemented a series of technology-based protective measures to prevent unauthorized collection, use or disclosure of personal data. We have strived and will strive to comply with all applicable personal data protection laws and regulations as well as our own privacy policies, and we believe that we are in compliance with the applicable PRC laws and regulations on personal data protection. We also require our employees not to infringe others' intellectual property and have worked hard to ensure that our products, services, content and brand names do not and will not infringe on valid patents, trademarks, copyrights or other intellectual property rights held by third parties.

Risks Relating to Damage of Our Brand

We have developed a strong brand that we believe has contributed significantly to the success of our business. Failure to maintain, protect and enhance our *Liepin* (獵聘) brand would hurt our ability to retain or expand our user and customer base. Many factors, some of which are beyond our control, may negatively impact our brand and reputation, such as any failure to maintain a pleasant and reliable experience for users as their preferences evolve and as we expand into new services; any negative publicity relating to our products and services or online talent services industry in general; complaints by our users and customers about our products and services; etc. In order to maintain and ensure that there is adequate protection for the Group's brand, we will work hard in providing high-quality services or solutions to our users and customers.

Other Risks

The Group is exposed to various types of other risks, including credit risk, liquidity risk and currency risk. Details of such risks are set out in note 32 to the Consolidated Financial Statements in this annual report.

PROSPECTS

A description of the future development in the Company's future business is provided in the Chairman's Statement and the Management Discussion and Analysis on page 9 and page 20 respectively of this annual report.

EVENTS AFTER THE END OF THE REPORTING PERIOD

With respect to the outbreak of COVID-19, the Company has assessed and preliminarily concluded that there will be certain negative impact on its talent acquisition services and the Company will closely monitor the development of COVID-19 and react proactively to assess the impact on the operation and financial position of the Company.

Save as disclosed above, no other important event affecting the Group occurred after 31 December 2019 and up to the date of this annual report.

DIRECTORS

The Directors during the year ended 31 December 2019 and up to the date of this annual report are:

Executive Directors

Mr. Dai Kebin *(Chairman and Chief Executive Officer)*
Mr. Chen Xingmao *(Chief Technology Officer)*
Ms. Xu Lili *(Chief Financial Officer)*

Non-executive Directors

Mr. Shao Yibo
Mr. Zuo Lingye
Mr. Ding Gordon Yi

Independent Non-executive Directors

Mr. Ye Yaming
Mr. Zhang Ximeng
Mr. Choi Onward

In accordance with article 16.18 of the Articles of Association, one-third of the Directors for the time being will retire from office by rotation at every annual general meeting and, being eligible, offer themselves for re-election.

In accordance with article 16.2 of the Articles of Association, any Director appointed by the Board from time to time and at any time to fill a casual vacancy or as an addition to the existing Board of Directors will hold office until the next following general meeting of the Company and be eligible for re-election at that meeting.

In accordance with article 16.3 of the Articles of Association, subject to the provisions of the Articles of Association and the Companies Law (2018 Revision) (as consolidated and revised) of the Cayman Islands, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Details of the Directors to be re-elected at the AGM are set out in the circular to shareholders dated 23 April 2020.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 32 to 34 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company under which they agreed to act as executive Directors for a term of three years commencing from their respective effective date of appointment, which may be terminated by not less than three months' notice in writing served by either the executive Director or the Company. Each of the non-executive Directors and the independent non-executive Directors has signed a service contract or an appointment letter with the Company for a term of one year with effect from the Listing Date (which was subsequently renewed with a further term of one year each). The appointments of Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

None of the Directors proposed for re-election at the AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Mr. Ye Yaming, Mr. Zhang Ximeng and Mr. Choi Onward, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors have been independent from the date of their appointments to 31 December 2019 and remain so as of the date of this annual report.

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

As far as the Company is aware, as at 31 December 2019, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Long Positions in the Company's Shares

Name of Director	Capacity/ Nature of Interest	Total number of shares	Approximate Percentage of Shareholding Interest (%)
Mr. Dai Kebin	Founder of a discretionary trust[1]	266,025,141	51.09
	Interest of spouse[2]	2,112,145	0.41
Mr. Chen Xingmao	Founder of a discretionary trust[3]	14,098,226	2.71
Ms. Xu Lili	Founder of a discretionary trust[4]	2,222,784	0.43

Notes:

(1) Mr. Dai Kebin is the settlor of a discretionary trust, The Dai Family Trust, of which SMP Trustees (Hong Kong) Limited acts as its trustee and the beneficiaries of which are Mr. Dai Kebin and certain of his family members. May Flower Information Technology Co., Limited ("**May Flower**") is wholly-owned by Pioneer Choice Global Limited, which is in turn wholly-owned by SMP Trustees (Hong Kong) Limited as the trustee of The Dai Family Trust. Mr. Dai Kebin (as settlor of The Dai Family Trust), SMP Trustees (Hong Kong) Limited and Pioneer Choice Global Limited are deemed to be interested in 266,025,141 shares in the Company which May Flower is interested. May Flower holds 110,533,199 shares in the Company beneficially and 155,491,942 shares in the Company through the following voting proxies in the Company:

   i. 49,555,946 shares of the Company (being 10% of the total issued shares of the Company upon listing) held by Matrix Partners China I, L.P. and Matrix Partners China I-A, L.P.;

   ii. 49,555,946 shares of the Company (being 10% of the total issued shares of the Company upon listing) held by Giant Lilly Investment Ltd;

   iii. 29,136,738 shares of the Company held by Tenzing Holdings 2011 Ltd.;

   iv. 14,098,226 shares of the Company held by Xiaoying Information Technology Co., Limited; and

   v. 13,145,086 shares of the Company held by Wisest Holding Co., Limited.

(2) Ms. Song Yueting is the spouse of Mr. Dai Kebin. Ms. Song Yueting is interested in 2,112,145 shares in the Company in a capacity of a founder of a discretionary trust.

(3) Mr. Chen Xingmao is the settlor of a discretionary trust, The Xiaoying Trust, of which Vistra Trust (Singapore) Pte. Limited acts as its trustee and the beneficiaries of which are Mr. Chen Xingmao and certain of his family members. Xiaoying Information Technology Co., Limited is wholly-owned by Rewarding Boost Limited, which is in turn wholly-owned by Vistra Trust (Singapore) Pte. Limited as the trustee of The Xiaoying Trust. Mr. Chen Xingmao (as settlor of The Xiaoying Trust), Vistra Trust (Singapore) Pte. Limited and Rewarding Boost Limited are deemed to be interested in 14,098,226 shares in the Company held by Xiaoying Information Technology Co., Limited.

(4) Ms. Xu Lili is the settlor of a discretionary trust, The Sunny Lily Trust, of which Vistra Trust (Singapore) Pte. Limited acts as its trustee and the beneficiaries of which are Ms. Xu Lili and certain of her family members. Sunny Lily Information Technology Co., Limited ("**Sunny Lily**") is wholly-owned by Trinity Century Global Limited, which is in turn wholly-owned by Vistra Trust (Singapore) Pte. Limited as the trustee of The Sunny Lily Trust. Ms. Xu Lili (as settlor of The Sunny Lily Trust), Vistra Trust (Singapore) Pte. Limited and Trinity Century Global Limited are deemed to be interested in 2,222,784 shares in the Company held by Sunny Lily.

Long Positions in Underlying Shares of the Company

Name of Director	Capacity	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital (%)
Ms. Xu Lili	Beneficial owner	1,000,000	0.19

Long Positions in Shares of Associated Corporations of the Company

Name of Director	Nature of Interest	Name of associated corporation	Number of securities held	Approximate percentage of shareholding interest of the associated corporation (%)
Mr. Dai Kebin	Beneficial owner	Wisest (Beijing) Management Consulting Co., Ltd.	7,073,760	17.80
	Other(1)	Wisest (Beijing) Management Consulting Co., Ltd.	3,902,580	9.82
	Beneficial owner	May Flower Information Technology Co., Limited	1	100.00
Mr. Chen Xingmao	Beneficial owner	Wisest (Beijing) Management Consulting Co., Ltd.	947,460	2.38

Note:

(1) Mr. Dai Kebin together with the general partner/limited partner were granted control of all management and executive functions of several entities, which in turn together own 3,902,580 shares in Wisest. Mr. Dai Kebin is deemed to be interested in such 3,902,580 shares in Wisest held by such entities.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives of the Company had or was deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to notify to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or which were required, pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, to notify to the Company and the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, to the best of the knowledge of the Company and the Directors, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

Interests in the Shares and Underlying Shares of the Company

Name of Shareholder	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding Interest (%)
Ms. Song Yueting	Founder of a discretionary trust(1)	2,112,145 (long position)	0.41
	Interest of spouse(2)	266,025,141 (long position)	51.09
May Flower Information Technology Co., Limited(3)	Beneficial owner	266,025,141 (long position)	51.09
Tenzing Holdings 2011 Ltd.(4)	Beneficial owner	29,136,738 (long position)	5.60
Tenzing Holdings, LLC(4)	Interest of controlled corporation	29,136,738 (long position)	5.60
South Dakota Trust Company LLC(4)	Trustee	29,136,738 (long position)	5.60
Matrix Partners China I, L.P.(5)	Beneficial owner	77,492,672 (long position)	14.88

Name of Shareholder	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding Interest (%)
Matrix China Management I, L.P.[5]	Interest of controlled corporation	85,344,354 (long position)	16.39
Matrix China I GP GP, Ltd.[5]	Interest of controlled corporation	85,344,354 (long position)	16.39
Giant Lilly Investment Ltd[6]	Beneficial owner	86,709,954 (long position)	16.65
Warburg Pincus Private Equity XI, L.P.[6]	Interest of controlled corporation	86,709,954 (long position)	16.65
Warburg Pincus XI, L.P.[6]	Interest of controlled corporation	86,709,954 (long position)	16.65
WP Global LLC[6]	Interest of controlled corporation	86,709,954 (long position)	16.65
Warburg Pincus Partners II, L.P.[6]	Interest of controlled corporation	86,709,954 (long position)	16.65
Warburg Pincus Partners GP LLC[6]	Interest of controlled corporation	86,709,954 (long position)	16.65
Warburg Pincus & Co.[6]	Interest of controlled corporation	86,709,954 (long position)	16.65
Sanqi Weilai (Tianjin) Enterprise Management Partnership (Limited Partnership)[7]	Beneficial owner	26,764,955 (long position)	5.06
Sanqi Tiancai (Tianjin) Enterprise Management Consulting Co., Ltd.[7]	Interest of controlled corporation	26,764,955 (long position)	5.06

Notes:

(1) Ms. Song Yueting is the settlor of a discretionary trust, The Song Family Trust, of which SMP Trustees (Hong Kong) Limited acts as its trustee and the beneficiaries of which are Ms. Song Yueting and certain of her family members. All Connected Information Technology Co., Limited ("**All Connected**") is wholly-owned by Hero Dreams Group Limited, which is in turn wholly-owned by SMP Trustees (Hong Kong) Limited, as the trustee of The Song Family Trust. Ms. Song Yueting (as settlor of The Song Family Trust), SMP Trustees (Hong Kong) Limited and Hero Dreams Group Limited are deemed to be interested in 2,112,145 shares in the Company held by All Connected.

(2) Mr. Dai Kebin is the spouse of Ms. Song Yueting. Mr. Dai Kebin is interested in 266,025,141 shares in the Company in capacity of a founder of a discretionary trust and through interests in controlled corporation. For details of Mr. Dai Kebin's interest in the shares of the Company, please refer to note (1) on page 43 of this annual report.

(3) May Flower is wholly-owned by Pioneer Choice Global Limited, which is in turn wholly-owned by SMP Trustees (Hong Kong) Limited, as the trustee of The Dai Family Trust. Mr. Dai Kebin (as settlor of The Dai Family Trust), SMP Trustees (Hong Kong) Limited and Pioneer Choice Global Limited are deemed to be interested in 266,025,141 shares in the Company which May Flower is interested. May Flower beneficially holds 110,533,199 shares in the Company and it was granted the following voting proxies over the ordinary shares of the Company, which in aggregate amount to 155,491,942 shares out of the 266,025,141 shares in the Company:

   i. 49,555,946 shares of the Company (being 10% of the total issued shares of the Company upon listing) held by Matrix Partners China I, L.P. and Matrix Partners China I-A, L.P.;

   ii. 49,555,946 shares of the Company (being 10% of the total issued shares of the Company upon listing) held by Giant Lilly Investment Ltd;

   iii. 29,136,738 shares of the Company held by Tenzing Holdings 2011 Ltd.;

   iv. 14,098,226 shares of the Company held by Xiaoying Information Technology Co., Limited; and

   v. 13,145,086 shares of the Company held by Wisest Holding Co., Limited.

(4) The entire issued share capital of Tenzing Holdings 2011 Ltd. is held by Tenzing Holdings LLC, which is in turn held in the entirety by South Dakota Trust Company LLC, the trustee of Tenzing Trust. Tenzing Trust is a discretionary, irrevocable, non-grantor trust established by Mr. Shao Yibo, a non-executive Director, as settlor, and the discretionary beneficiaries are Mr. Shao Yibo's immediate family members and other non-profit organizations which are independent third parties.

(5) Matrix China Management I, L.P. is the general partner of Matrix Partners China I-A, L.P., which beneficially holds 7,851,682 shares in the Company. The general partner of Matrix Partners China I, L.P. is also Matrix China Management I, L.P., the general partner of which is Matrix China I GP GP, Ltd..

(6) The entire interest of Giant Lilly Investment Ltd is held as to 60.47% by Warburg Pincus Private Equity XI, L.P., 22.06% by Warburg Pincus XI (Asia), L.P., 11.20% by Warburg Pincus Private Equity XI-B, L.P. and 6.27% by other minority shareholders. The general partner of Warburg Pincus Private Equity XI, L.P. is Warburg Pincus XI, L.P., the general partner of which is WP Global LLC. The managing member of WP Global LLC is Warburg Pincus Partners II, L.P., the general partner of which is Warburg Pincus Partners GP LLC, and the managing member of which is Warburg Pincus & Co..

(7) The general partner of Sanqi Weilai (Tianjin) Enterprise Management Partnership (Limited Partnership) ("**Sanqi Weilai**") is Sanqi Tiancai (Tianjin) Enterprise Management Consulting Co., Ltd. ("**Sanqi Tiancai**").Therefore, Sanqi Tiancai is deemed to be interested in the shares held by Sanqi Weilai. Mr. Dai Kebin previously held 99% of Sanqi Tiancai and was deemed to be interested in the shares held by Sanqi Weilai. In July 2019, Mr. Dai Kebin assigned his entire interest in Sanqi Tiancai to three parties independent to the Company and its connected persons and is no longer interested in the shares held by Sanqi Weilai. For details, please refer to the Company's announcement dated 2 July 2019.

Save as disclosed above, as at 31 December 2019, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended 31 December 2019 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 spouse or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their associates had any interest in a business that competes or may compete with the business of the Group.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Company and are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entities were treated as the Company's wholly-owned subsidiaries, and their directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates were treated as the Company's "connected persons".

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with (where applicable) (i) the announcement and independent shareholders' approval requirements, (ii) the annual cap requirement, and (iii) the requirement of limiting the term of the continuing connected transactions set out in Chapter 14A of the Listing Rules for such continuing connected transactions. The Company has complied with the waiver conditions set out by the Hong Kong Stock Exchange and all necessary Listing Rules requirements as required by the Hong Kong Stock Exchange.

Connected Persons

The following parties, which have entered into certain written agreements with our Group, are connected persons of our Group:

Name	Connected Relationship
Mr. Dai Kebin	an executive Director, substantial shareholder and controlling shareholder of our Company
Associates of Mr. Dai Kebin	associates of Mr. Dai Kebin as defined under Rule 14A.07(4) of the Listing Rules
Mr. Chen Xingmao	an executive Director of our Company
Giant Lilly Investment Ltd	a substantial shareholder of our Company
Matrix Partners I Hong Kong Limited	associate of Matrix Partners China I, L.P., a substantial shareholder of our Company

Reasons for the Contractual Arrangements

Our primary businesses involve the provision of talent services and the offering of online information services through our online platform are subject to foreign investment restrictions under the PRC laws and which are currently conducted by our Consolidated Affiliated Entities, i.e. Wisest, TD Elite and Liedao, through the Contractual Arrangements (the "**Relevant Businesses**").

Due to the foreign investment restrictions under PRC law, and after consultation with our PRC legal advisor, we determined that it was not viable for our Group to directly hold more than 70% equity ownership in Wisest, or any equity ownership in either of TD Elite or Liedao. Instead, we decided that, in line with common practices in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by each of Wisest, TD Elite and Liedao through the Contractual Arrangements between Tiancai Youdao, an indirect wholly-owned subsidiary of our Company established in the PRC, on the one hand, and each of Wisest, TD Elite and Liedao and their respective relevant shareholders (the "**Relevant Shareholders**"), on the other hand.

Wisest is a LLC established in the Zhongguancun Science Park (中關村國家自主創新示範區), Beijing, the PRC on 7 September 2006, owned as to 70% by TD Elite (HK) Information Technology Co., Limited, 27.62% by Mr. Dai Kebin and 2.38% by Mr. Chen Xingmao upon completion of the reorganization arrangements undertaken by the Group in preparation for the initial public offering of the Company. Its primary business is the provision of offline talent services to business customers and headhunters (the "**Talent Intermediary Services**"). Wisest currently holds a license for human resources service (人力資源服務許可證) (the "**HR Service License**") which is required for the operation of the Talent Intermediary Services.

TD Elite is a LLC established in Tianjin, the PRC on 27 July 2015, owned as to 50.1% by Liedao, 21.88% by Matrix Partners China I Hong Kong Limited, 21.345% by Giant Lilly Investment Ltd and 6.675% by Tenzing Holdings Hong Kong Limited. Its primary business is the provision of talent services to individual users, business customers and headhunters through our online platform "*Liepin*. com". TD Elite is a Sino-foreign joint venture which currently holds an ICP License and a HR Service License, which are required for the provision of the Talent Intermediary Services through our online platform "*Liepin*.com".

Liedao is a LLC established in Tianjin, the PRC on 25 April 2014, owned as to 99% by Mr. Dai Kebin and 1% by Mr. Chen Xingmao. Its primary business is investment holding. Liedao currently holds a HR Service License which is required for the operation of the Talent Intermediary Services.

The principal business activities of the Consolidated Affiliated Entities fall within the scope of Talent Intermediary Services and value-added telecommunication services (增值電信業務) ("**VATS**"), and foreign investments in such services in the PRC are subject to restrictions under the PRC laws and regulations. In order to comply with the PRC laws and regulations, Tiancai Youdao, an indirect wholly-owned subsidiary of the Company which is a LLC established in the PRC, entered into a series of Contractual Arrangements in April 2018 with each of Wisest, TD Elite and Liedao and the Relevant Shareholders, through which the Company exercises effective control over and receive all the economic benefits generated by the businesses currently operated by each of Wisest, TD Elite and Liedao. As a result, the Company has control of 30% equity interests in Wisest, and 100% equity interests in each of TD Elite and Liedao.

Our Directors believe that the Contractual Arrangement are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated between Tiancai Youdao and each of Wisest, TD Elite and Liedao and the respective Relevant Shareholders, (ii) by entering into the Exclusive Business Cooperation Agreements with Tiancai Youdao, each of Wisest, TD Elite and Liedao and their respective subsidiaries enjoys better economic and technical support from us, as well as a better market reputation after listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Company and are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Risks Relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 52 to 58 of the Prospectus.

- If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in the Consolidated Affiliated Entities.

- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. The Consolidated Affiliated Entities or the Relevant Shareholders may fail to perform their obligations under our Contractual Arrangements.

- The ultimate shareholders of our Consolidated Affiliated Entities may have conflicts of interest with us, which may materially and adversely affect our business.

- If we exercise the option to acquire equity ownership and assets of our Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.

- We may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entities that are material to our business operations if our Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

- We may not be able to meet the qualification requirements for VATS and our plan to unwind the Contractual Arrangements may be subject to certain limitations.

- Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the Draft Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

- Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated profit.

Contractual Arrangements in Place

The Contractual Arrangements which were in place during the year ended 31 December 2019 and a brief description of the major terms of the structured contracts under the Contractual Arrangements are as follows:

Exclusive Option Agreements

On 26 April 2018, each of Wisest, TD Elite and Liedao and the Relevant Shareholders entered into an exclusive option agreement with Tiancai Youdao (collectively, the "**Exclusive Option Agreements**"), pursuant to which Tiancai Youdao (or our Company or any subsidiary of our Company, the "**designee**") is granted an irrevocable and exclusive right to purchase: (1) 30% of the equity interest in and/or assets of Wisest, and (2) all of the equity interest in and/or assets of each of TD Elite and Liedao which are not owned by our Group and/or assets of each of Wisest, TD Elite and Liedao for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Subject to relevant PRC laws and regulations, the Relevant Shareholders and/or each of Wisest, TD Elite and Liedao shall return any amount of purchase price they have received to Tiancai Youdao. At Tiancai Youdao's request, the Relevant Shareholders and/or each of Wisest, TD Elite and Liedao will promptly and unconditionally transfer their respective equity interests in and/or the relevant assets of each of Wisest, TD Elite and Liedao to Tiancai Youdao (or its designee) after Tiancai Youdao exercises its purchase right. The Exclusive Option Agreements are for an initial term of 10 years and is automatically renewable upon expiry unless Tiancai Youdao confirms a new renewal term in writing.

Exclusive Business Cooperation Agreements

On 26 April 2018, each of Wisest, TD Elite and Liedao entered into an exclusive business cooperation agreement with Tiancai Youdao (collectively, the "**Exclusive Business Cooperation Agreements**"), pursuant to which each of Wisest, TD Elite and Liedao agrees to engage Tiancai Youdao as its exclusive provider of business support, technical and consulting services, including technical services, network support, business consultation, intellectual property licensing, equipment leasing, market consultancy, system integration, product research and development and system maintenance, in exchange for service fees. Under these arrangements, the service fees, subject to Tiancai Youdao's adjustment, are equal to (i) 30% of the net profit of Wisest and its subsidiaries and (ii) all of the net profit of each of TD Elite and Liedao and their respective subsidiaries. Tiancai Youdao enjoys (i) 30% of the economic benefits derived from the businesses of Wisest and its subsidiaries and (ii) all the economic benefits derived from the businesses of TD Elite and Liedao and their respective subsidiaries and bears the relevant portion of the business risks of Wisest, TD Elite and Liedao, respectively. If Wisest, TD Elite and Liedao runs into financial deficit or suffers severe operation difficulties, Tiancai Youdao will provide financial support to Wisest, TD Elite and Liedao proportionately. Notwithstanding the above, no service fee has been charged by Tiancai Youdao in 2019. It is also agreed between Tiancai Youdao and each of Wisest, TD Elite and Liedao that Tiancai Youdao will not charge any service fee for 2019 retrospectively in the future.

Share Pledge Agreements

On 26 April 2018, each of Wisest, TD Elite and Liedao, the Relevant Shareholders and Tiancai Youdao entered into a share pledge agreement (collectively, the "**Share Pledge Agreements**"). Under the Share Pledge Agreements, the Relevant Shareholders will pledge as first charge all of their respective equity interests in Wisest, TD Elite and Liedao to Tiancai Youdao as collateral security for any or all of their payments due to Tiancai Youdao and to secure performance of their obligations under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Powers of Attorney (as defined below).

Powers of Attorney

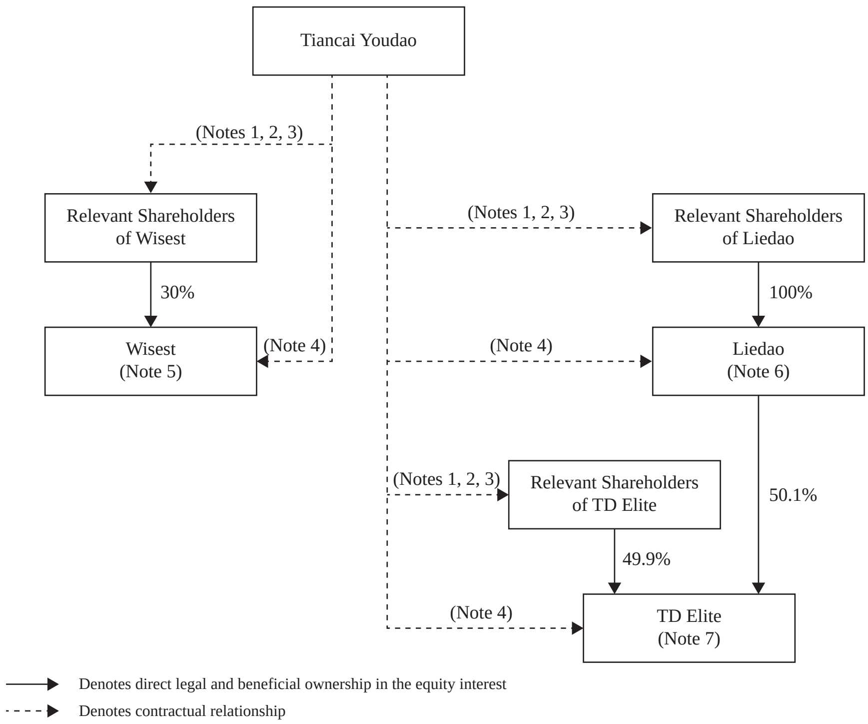
On 26 April 2018, each of Wisest, TD Elite and Liedao, the Relevant Shareholders and Tiancai Youdao entered into an irrevocable power of attorney (collectively, the "**Powers of Attorney**"), whereby the Relevant Shareholders will appoint Tiancai Youdao or a director of its offshore holding company or its/his/her successor (including a liquidator replacing Tiancai Youdao's director) as their exclusive agent and attorney to act on their behalf on all matters concerning each of Wisest, TD Elite and Liedao and to exercise all of its rights as a registered shareholder of each of Wisest, TD Elite and Liedao.

Shareholder Undertakings

On 26 April 2018, the corporate registered shareholders of Wisest and TD Elite irrevocably undertook to Tiancai Youdao that they will not enter into any pledge, disposal, creating any encumbrance or any other third party right in respect of their respective interests in Wisest and TD Elite which would jeopardize the priority of the pledges under the relevant Share Pledge Agreement in relation to Wisest and TD Elite or affect the stable performance of the Contractual Arrangements in respect of Wisest and TD Elite.

For details of the Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

The following simplified diagram illustrates the flow of economic benefits from each of Wisest, TD Elite and Liedao and their respective subsidiaries to our Group stipulated under the Contractual Arrangements:



Notes:

(1) Powers of attorney to exercise 30% shareholders' rights in Wisest and all shareholders' rights in TD Elite and Liedao, respectively.

(2) Exclusive option to acquire (i) 30% of the equity interest in and/or assets of Wisest and (ii) all of the equity interest in and/or assets of each of TD Elite and Liedao, respectively.

(3) First priority security interest over (i) 30% equity interest in Wisest and (ii) the entire equity interest in TD Elite and Liedao, respectively.

(4) Business support, technical and consulting service fees.

(5) The Relevant Shareholders of Wisest are Mr. Dai Kebin holding as to 17.80%, Mr. Chen Xingmao holding as to 2.38% and the following holding entities (the "**Holding Entities**"): Tianjin Liejin Asset Management Partnership (Limited Partnership) (天津獵津資產管理合夥企業(有限合夥)) which holds approximately 3.05% of the equity interest in Wisest, Tianjin Liexin Enterprise Management Partnership (Limited Partnership) (天津獵鑫企業管理合夥企業(有限合夥)) which holds approximately 2.66% of the equity interest in Wisest, Tianjin Kuailie Enterprise Management Partnership (Limited Partnership) (天津快獵企業管理合夥企業(有限合夥)) which holds approximately 2.68% of the equity interest in Wisest, and Tianjin Qilie Enterprise Management Partnership (Limited Partnership) (天津奇獵企業管理合夥企業(有限合夥)) which holds approximately 1.43% of the equity interest in Wisest. Pursuant to a control agreement dated 15 October 2015 entered into between Mr. Dai Kebin and the employees of each of the Holding Entities, Mr. Dai Kebin has control of the managerial and executive functions of the Holding Entities, and is therefore deemed to be interested in a total number of shares held by the Holding Entities in Wisest.

(6) The Relevant Shareholders of Liedao are Mr. Dai Kebin and Mr. Chen Xingmao, holding as to 99% and 1% of the shares in Liedao, respectively.

(7) The Relevant Shareholders of TD Elite are Liedao holding as to 50.1%, Tenzing Holdings Hong Kong Limited, a LLC incorporated in Hong Kong, holding as to 6.68%, Matrix Partners China I Hong Kong Limited, a LLC incorporated in Hong Kong, holding as to 21.88%, and Giant Lilly, a LLC incorporated in the Republic of Mauritius, holding as to 21.35% of the shares in TD Elite, respectively.

Apart from the above, there are no other new contractual arrangements entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the financial year ended 31 December 2019. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 December 2019.

For the year ended 31 December 2019, none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

Save as disclosed above, during the year ended 31 December 2019, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules.

During the year ended 31 December 2019, no related party transactions disclosed in note 33 to the Consolidated Financial Statements constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules for the continuing connected transactions set out in this section, the Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

We have been advised by our PRC legal advisor that the Contractual Arrangements do not violate the relevant PRC laws and regulations.

The revenue of Wisest, TD Elite and Liedao for the year ended 31 December 2019 were RMB101.4 million, RMB1,212.7 million, and RMB0.2 million, respectively (2018: RMB228.1 million, RMB905.6 million, and RMB2.4 million, respectively).

The profits/(losses) of Wisest, TD Elite and Liedao for the year ended 31 December 2019 were RMB37.8 million, RMB1.6 million and RMB(3.4) million, respectively (2018: RMB52.6 million, RMB61.6 million and RMB(2.7) million, respectively).

The total assets of Wisest, TD Elite and Liedao for the year ended 31 December 2019 were RMB931.9 million, RMB924.6 million and RMB147.6 million, respectively (2018: RMB865.5 million, RMB702.5 million and RMB57.2 million, respectively).

For the year ended 31 December 2019, the revenue of Wisest, TD Elite and Liedao amounted to approximately 6.70%, 80.13% and 0.01%, respectively (2018: 18.6%, 73.9% and 0.2%, respectively) of the revenue for the year of the Group.

Mitigation Actions Taken by the Company

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

The Extent to which the Contractual Arrangements Relate to Requirements Other than the Foreign Ownership Restriction

All of the Contractual Arrangements are subject to the restrictions as set out on pages 157 to 162 of the Prospectus.

Listing Rule Implications

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

Waiver from the Hong Kong Stock Exchange and Annual Review

The Hong Kong Stock Exchange has granted the Company a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap, under Rule 14A.53 of the Listing Rules for the fees payable to Tiancai Youdao under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the shares of the Company are listed on the Hong Kong Stock Exchange subject to the following conditions:

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

b) no change without independent shareholders' approval;

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

d) the Contractual Arrangements may be renewed and/or reproduced upon expiry or when justified by business expediency, without obtaining the approval of the shareholders, on substantially the same terms and conditions as the Contractual Arrangements; and

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

Qualification Requirements

On 11 December 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the "**FITE Regulations**"), which were amended on 10 September 2008 and 6 February 2016, respectively. According to the FITE Regulations, foreign investor who invests in VATS business in the PRC must possess the Qualification Requirement of VATS (as defined below). The Ministry of Industry and Information Technology (the "**MIIT**") issued a guidance memorandum on its official website in relation to the application requirements for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, the applicant's annual reports for the past three years, satisfactory proof of the Qualification Requirement of VATS and business development plan. The guidance memorandum, however, does not provide any further guidance on the proof, record or document required to support the application and does not purport to provide an exhaustive list on the application requirement. Our PRC legal advisor has advised that, (i) the above-mentioned guidance memorandum issued by the MIIT had no legal or regulatory effect under the PRC laws and (ii) no applicable PRC laws, regulations or rules provided clear guidance or interpretation on the Qualification Requirement of VATS.

Based on the Interim Administrative Provisions for Sino-Foreign Equity Joint Venture Talent Intermediary Service Agencies (《中外合資人才中介機構管理暫行規定》) (the "**Old HR Interim Provisions**"), (i) the foreign investor who intends to engage in the talent intermediary services in the PRC, shall have engaged in talent intermediary services for three years or more and have a good reputation (the "**Qualification Requirement of HR License**"), (ii) such foreign investor shall set up a joint venture with the Chinese talent intermediary service agencies, and the Chinese talent intermediary service agencies shall hold a majority of the equity interests in the relevant joint venture.

On December 31, 2019, the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) promulgated the Interim Administrative Provisions for Foreign-invested Talent Intermediary Service Agencies (《外商投資人才中介機構管理暫行規定》)(the "**New HR Interim Provisions**"), which replaced the Old HR Interim Provisions. According to the New HR Interim Provisions, the Qualification Requirement of HR License has been cancelled, and the foreign shareholding percentage of companies that engage in the talent intermediary services in the PRC can be up to 100%.

With the assistance of our PRC legal advisor, the Company is in the process of consulting the Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源和社會保障局), being the competent authority as advised by our PRC legal advisor to confirm matters relating to the New HR Interim Provisions that are relevant to us. The Company will keep its shareholders informed of such matters and their impact (if any) on the Contractual Arrangements upon completion of the consultations as and when appropriate.

Efforts and Actions Undertaken to Comply with the Qualification Requirements

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas VATS operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in Wisest, TD Elite and Liedao when the relevant PRC laws and authorities allow foreign investors to invest and hold (or to increase, as applicable) equity interests in enterprises which engage in VATS. We have taken the following measures to meet the Qualification Requirements:

- *Liepin* (HK) and TD Elite (HK) Management Consulting Co., Limited ("**TD Management HK**"), wholly-owned subsidiaries of our Company, have been incorporated in Hong Kong in June 2016 for the purposes of establishing and expanding our operations overseas;

- we have applied for, and are in the process of registering trademarks outside the PRC for the promotion of our Relevant Businesses overseas;

- we have obtained a domain name, careerplus.com, in April 2018 outside the PRC, and are in the process of constructing our overseas website, primarily for introducing our Relevant Businesses to overseas users;

- we have commenced feasibility studies on the further development of marketing to overseas markets and expanding our current businesses to overseas market;

- *Liepin* (HK) and TD Management HK have been incorporated in Hong Kong in June 2016, and we have set up a subsidiary in the United States of America in July 2016, for the purpose of establishing and expanding our talent intermediary service overseas; and

- we have established an executive team for overseas talent intermediary service and carried out certain marketing activities outside the PRC.

Subject to the discretion of the competent authority on whether the Group has fulfilled the Qualification Requirements, our PRC legal advisor is of the view that the above steps taken by us may be deemed by the relevant PRC government authorities to satisfy the Qualification Requirements as we have experience in providing VATS in overseas markets, which is in accordance with the applicable PRC laws and regulations.

Confirmation from the Independent Non-executive Directors

Our independent non-executive Directors have confirmed that the Contractual Arrangements for the year ended 31 December 2019 to which any member of the Group was a party were entered into by the Group:

a) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements and have been operated so that the revenue generated by the Consolidated Affiliated Entities has been substantially retained by Tiancai Youdao;

b) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;

c) no new contracts were entered into, renewed or reproduced between our Group and each of the Consolidated Affiliated Entities during the Reporting Period; and

d) the Contractual Arrangements are entered into in the ordinary and usual course of business of the Group on normal commercial terms and are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and the shareholders of the Company as a whole.

Confirmations from the Auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the Auditor to conduct certain procedures in respect of the transactions carried out pursuant to the Contractual Arrangements of the Group for the year ended 31 December 2019, in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has confirmed in a letter to the Board that, with respect to the transactions carried out pursuant to the Contractual Arrangements during the year ended 31 December 2019:

a) nothing has come to their attention that causes the Auditor to believe that the Contractual Arrangements have not been approved by the Board;

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

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

CHANGSHA RANXING CONTRACTUAL ARRANGEMENTS

The Group is a pioneer in China's talent services market, operating a leading online talent services platform focused on mid-to high-end talents for both individual and business users to access a variety of talent services and continues to explore investment opportunities so as to increase the return for its shareholders. As a leading online questionnaire service platform provider in China, Changsha Ranxing Group's business is highly compatible with the Group's talent services business, and will assist the Group to provide one-stop employee survey, assessment and balloting services to its users. The Directors believe that the strategic investment to control Changsha Ranxing (the "**Strategic Investment**") will help strengthen and expand the service coverage of the Group, and further improve the Group's ability to provide users with comprehensive talent services. In particular, the Directors expect that the Strategic Investment will bring growth synergies to the Group and Changsha Ranxing primarily from three aspects: (i) more comprehensive services for enterprise customers, (ii) increased user traffic from individual users and (iii) better utilization of user data.

Reasons for Adopting the Changsha Ranxing Contractual Arrangements

Our PRC legal advisor has advised that it is necessary to adopt the Changsha Ranxing Contractual Arrangements because Changsha Ranxing's primary business is the provision of online questionnaire software-as-a-service (the "**SaaS Services**") through the online platform "wjx.cn". Changsha Ranxing currently holds an ICP License, which is required for the operation of the SaaS Services, which is subject to foreign investment restrictions under the PRC regulatory framework.

In particular, the SaaS Services operated by Changsha Ranxing falls within the scope of provision of VATS. Pursuant to the Special Management Measures for the Market Entry of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)》) (the "**Negative List**") promulgated by the Ministry of Commerce of the PRC and the National Development and Reform Commission of the PRC on 30 June 2019, the VATS industry in the PRC is categorized as a "restricted" category under the Foreign Investment Catalogue and has been subject to restrictions on percentage of foreign ownership (not holding more than 50%, with exceptions to E-commerce, domestic multiparty communications, storage and forwarding, call center services).

According to the Measures for the Administration of Telecommunication Business Operation License (《電信業務經營許可管理辦法》) promulgated by the MIIT of the PRC on 5 March 2009 and amended on 3 July 2017, and the Provisions on the Administration of Foreign-Invested Telecom Enterprises (《外商投資電信企業管理規定》) promulgated by the State Council of the PRC on 11 December 2001 and amended on 10 September 2008 and 6 February 2016, with respect to a sino-foreign joint venture which apply for a ICP License, the company shall file an application with the relevant government authority, and the competent authority shall verify the qualification and background of the foreign investor in such sino-foreign joint venture.

In the consultations with an officer of the Policy and Standards Division of Department of Communication and Development (工信部信息通信發展司政策標準處) of the MIIT conducted by the representatives of the Company and our PRC legal advisor on 24 January and 26 February 2018 respectively (the "**MIIT Consultations**"), the officer confirmed that, due to the lack of relevant precedents, and that frequent change of the foreign investors of the overseas listed company in the open market will make it difficult for the competent authority to verify the qualification and background of such foreign investor, application for change of foreign shareholder of an entity holding an ICP License to an overseas listed company or its subsidiary, or application for ICP License by an entity which is a subsidiary of an overseas listed company, will not be accepted.

As Changsha Ranxing will become a subsidiary of an overseas listed company, i.e. the Company, after completion of the Strategic Investment, our PRC legal advisor has advised that it is not feasible for the Company (or its other subsidiaries) to directly hold any equity interest in Changsha Ranxing for operation of its current businesses in compliance with applicable PRC laws and regulations and based on the current policy of the relevant government authorities. Accordingly, the Company plans to enter into the Changsha Ranxing Contractual Arrangements in order to control the relevant equity interest in Changsha Ranxing.

The Foreign Investment Law and its Possible Impact on the Changsha Ranxing Contractual Arrangements

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law (外商投資法) (the "**FIL**") which took effect on January 1, 2020. The FIL replaced the then existing laws regulating foreign investment in PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law. The FIL embodies an expected regulatory trend in PRC to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

The FIL does not explicitly stipulate the contractual arrangements as a form of foreign investment. The FIL does not mention concepts including "de facto control" and "controlling through contractual arrangements" nor did it specify the regulation on controlling through contractual arrangements. Instead, the FIL stipulates that "foreign investors invest in PRC through any other methods under laws, administrative regulations, or provisions prescribed by the State Council". There is no applicable law or regulations, including the Implementation Regulation of the Foreign Investment Law (《外商投資法實施條例》) prescribed by the State Council on December 12, 2019, that explains "other methods" of the foreign investment under the FIL, therefore, as advised by the PRC legal Advisor, the Changsha Ranxing Contractual Arrangements will not be affected under the FIL.

Nevertheless, there are possibilities that the implementing rules of the FIL (if any), future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether the Changsha Ranxing Contractual Arrangements will be recognized as foreign investment, whether the Changsha Ranxing Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the Changsha Ranxing Contractual Arrangements will be handled are uncertain.

In addition, the FIL does not specify what actions shall be taken with respect to the existing companies with contractual arrangements, whether or not these companies are controlled by PRC entities and/or citizens.

Changsha Ranxing Contractual Arrangements in Place

The Changsha Ranxing Contractual Arrangements which were in place during the year ended 31 December 2019 and a brief description of the major terms of the structured contracts under the Changsha Ranxing Contractual Arrangements are as follows:

Changsha Ranxing Exclusive Option Agreement

The WFOE and Changsha Ranxing Registered Shareholders (as defined below) entered into an exclusive option agreement with Changsha Ranxing dated 27 November 2019 (the "**Changsha Ranxing Exclusive Option Agreement**"), pursuant to which the WFOE is granted an irrevocable and exclusive right to purchase all of the equity interest in and/or assets of Changsha Ranxing for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Subject to relevant PRC laws and regulations, the Changsha Ranxing Registered Shareholders and/or Changsha Ranxing shall return any amount of purchase price they have received to the WFOE. At the WFOE's request, the Changsha Ranxing Registered Shareholders and/or Changsha Ranxing will promptly and unconditionally transfer their respective equity interests in and/or the relevant assets of Changsha Ranxing to the WFOE (or its designee) after the WFOE exercises its purchase right. The Changsha Ranxing Exclusive Option Agreement is for an initial term of 10 years and is automatically renewable upon expiry unless the WFOE confirms a new renewal term in writing.

Changsha Ranxing Exclusive Business Cooperation Agreement

The WFOE entered into an exclusive business cooperation agreement with Changsha Ranxing on 27 November 2019 (the "**Changsha Ranxing Exclusive Business Cooperation Agreement**"), pursuant to which Changsha Ranxing agrees to engage the WFOE as its exclusive provider of business support, technical and consulting services, including technical services, network support, business consultation, intellectual property licensing, equipment leasing, market consultancy, system integration, product research and development and system maintenance, in exchange for service fees. Under such arrangements, the service fees, subject to the WFOE's adjustment, are equal to all of the net profit of Changsha Ranxing and its subsidiaries. The WFOE may adjust the service fees at its sole discretion, after consideration of certain factors, including but not limited to the deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year, and may also include accumulated losses of Changsha Ranxing and its subsidiaries from previous financial periods, which will be wired to the designated account of the WFOE upon issuance of payment notification by the WFOE. The WFOE enjoys all the economic benefits derived from the businesses of Changsha Ranxing and its subsidiaries and bears the relevant portion of the business risks of Changsha Ranxing. If Changsha Ranxing runs into financial deficit or suffers severe operation difficulties, the WFOE will provide financial support to Changsha Ranxing proportionately.

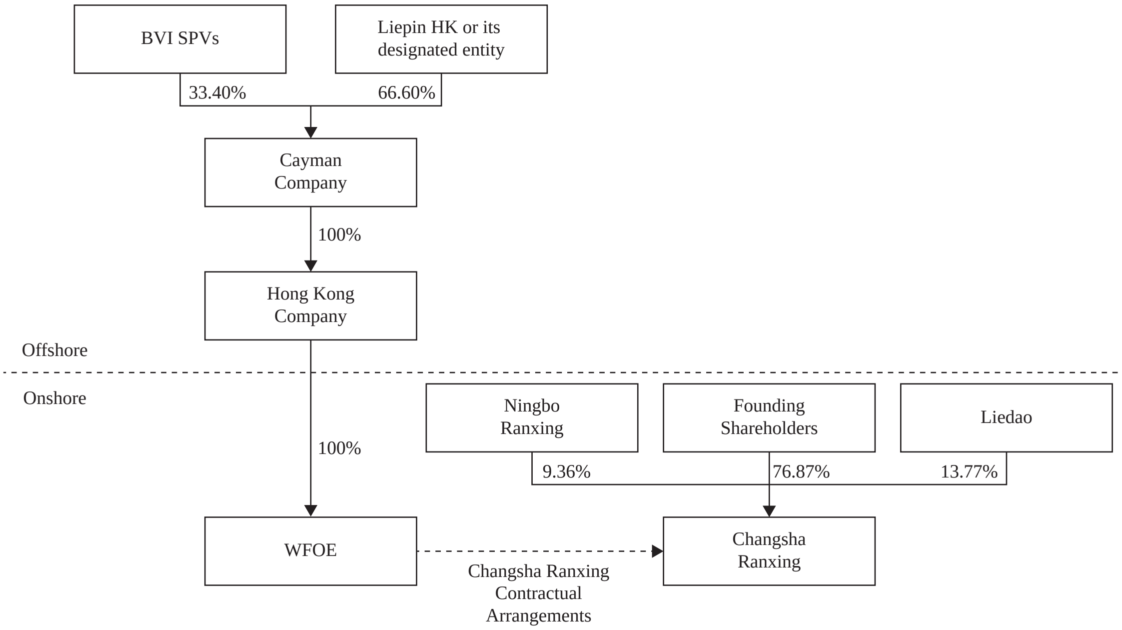
Changsha Ranxing Share Pledge Agreement

The WFOE, the Changsha Ranxing Registered Shareholders and Changsha Ranxing entered into a share pledge agreement on 27 November 2019 (the "**Changsha Ranxing Share Pledge Agreement**"). Under the Changsha Ranxing Share Pledge Agreement, the Changsha Ranxing Registered Shareholders will pledge as first charge all of their respective equity interests in Changsha Ranxing to the WFOE as collateral security for any or all of their payments due to the WFOE and to secure performance of their obligations under the Changsha Ranxing Exclusive Business Cooperation Agreement, the Changsha Ranxing Exclusive Option Agreement and the Changsha Ranxing Power of Attorney (as defined below). The Share Pledge Agreements will not terminate until (i) all obligations of Changsha Ranxing and the Changsha Ranxing Registered Shareholders are satisfied in full; (ii) the WFOE exercises its exclusive option to purchase the entire equity interests held by the Changsha Ranxing Registered Shareholders in Changsha Ranxing and/or the entire assets of Changsha Ranxing pursuant to the terms of the Changsha Ranxing Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws; (iii) the WFOE exercises its unilateral and unconditional right of termination; or (iv) the agreement is required to be terminated in accordance with applicable PRC laws. In addition, under the Changsha Ranxing Exclusive Option Agreement, none of the Changsha Ranxing Registered Shareholders may transfer or permit the encumbrance of any of their equity interests in and the relevant assets of Changsha Ranxing (including any equity interests in and the relevant assets of the subsidiaries of Changsha Ranxing) without the WFOE's prior written consent. Furthermore, under the Changsha Ranxing Exclusive Business Cooperation Agreement, the WFOE is entitled to retain and exercise physical control of company seals and certificates that are crucial to the daily operations of Changsha Ranxing, which further strengthens the protection of the WFOE's interests over Changsha Ranxing under the Changsha Ranxing Contractual Arrangements.

Changsha Ranxing Power of Attorney

An irrevocable power of attorney has been entered into between the Changsha Ranxing Registered Shareholders, the WFOE and Changsha Ranxing on 27 November 2019 (the "**Changsha Ranxing Power of Attorney**"), whereby the Changsha Ranxing Registered Shareholders will appoint the WFOE or a director of its offshore holding company or its/his/her successor (including a liquidator replacing the WFOE's director) as their exclusive agent and attorney to act on their behalf on all matters concerning Changsha Ranxing and to exercise all of its rights as a registered shareholder of Changsha Ranxing. These rights include (i) the right to propose, convene and attend shareholders' meetings; (ii) the right to sell, transfer, pledge or dispose of shares; (iii) the right to exercise shareholders' voting rights; and (iv) the right to act as the legal representative (chairperson) of Changsha Ranxing. The authorized person is entitled to sign minutes, file documents with the relevant companies registry and exercise voting rights on the winding up of Changsha Ranxing on behalf of the Changsha Ranxing Registered Shareholders. The Changsha Ranxing Registered Shareholders have each undertaken to transfer all assets obtained after the winding up of Changsha Ranxing to the WFOE at nil consideration or the lowest price permissible by the then applicable PRC laws. As a result of the Changsha Ranxing Power of Attorney, the Company, through the WFOE and the Cayman Company, is able to exercise management control over the activities that most significantly impact the economic performance of Changsha Ranxing.

The table below sets out a simplified structure of the Changsha Ranxing Contractual Arrangements:



Changsha Ranxing is a limited liability company established under the laws of the PRC, owned as to (i) 52.77% by Mr. Hu Xiao (胡嘯), 18.89% by Mr. Wu Yong (伍勇) and 5.21% by Mr. Yao Leiming (姚雷鳴) (collectively, the "**Founding Shareholders**"); (ii) 13.77% by Liedao; and (iii) 9.36% by Ningbo Free Trade Zone Ranxing Management Consulting Partnership (Limited Partnership) (寧波保税區冉星管理諮詢合夥企業(有限合夥)) ("**Ningbo Ranxing**") (collectively, the "**Changsha Ranxing Registered Shareholders**"). Changsha Ranxing Group is primarily engaged in the provision of internet services in China. Its main product Wenjuanxing (問卷星) is a leading online questionnaire software-as-a-service (SaaS) platform in China, which assists enterprise customers with survey, assessment and balloting services.

The Founding Shareholders are individuals who are the founders and directors or supervisors of Changsha Ranxing.

Ningbo Ranxing is a limited partnership enterprise established in the PRC and holds certain shares in Changsha Ranxing for its employees.

Liedao is one of our Consolidated Affiliated Entities held through the Contractual Arrangements.

The Group's total revenue for the year ended 31 December 2019 contributed by Changsha Ranxing under the Changsha Ranxing Contractual Arrangements amounted to approximately RMB17.6 million, representing approximately 1.2% of the Group's total revenue for the year ended 31 December 2019, and the total assets of Changsha Ranxing as at 31 December 2019 were approximately RMB175.8 million, representing approximately 4.2% of the total assets of the Group as at 31 December 2019.

Apart from the above, there are no other contractual arrangements entered into, renewed or reproduced between the Group and Changsha Ranxing during the financial year ended 31 December 2019. There was no material change in the Changsha Ranxing Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 December 2019.

For the year ended 31 December 2019, none of the Changsha Ranxing Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Changsha Ranxing Contractual Arrangements has been removed.

Risks and Limitations relating to the Changsha Ranxing Contractual Arrangements

We believe the following risks are associated with the Changsha Ranxing Contractual Arrangements:

- economic risks of the Company — given that the relevant business operations in the PRC will be conducted through Changsha Ranxing, and that its financial position and result of operations will be consolidated into the Group's financial statements under the applicable accounting principles, the Company's business, financial position and results of operations would be adversely affected if Changsha Ranxing suffer losses;

- limitations and substantial costs in exercising the option to acquire ownership in Changsha Ranxing;

- potential changes in the PRC foreign investment legal regime;

- the Changsha Ranxing Contractual Arrangements may not provide control as effective as direct ownership;

- the Registered Shareholders of Changsha Ranxing may have potential conflicts of interest with the Company;

- the Changsha Ranxing Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed; and

- other risks associated with the Changsha Ranxing Contractual Arrangements (e.g. the financial and operation results of the Group will be adversely affected upon the occurrence of any event which affects the enforceability and operation of Changsha Ranxing Contractual Arrangements).

For details of the risks associated with the Changsha Ranxing Contractual Arrangements, please refer to the section headed "Changsha Ranxing Contractual Arrangements — Risks and Limitations relating to the Changsha Ranxing Contractual Arrangements" of the announcement of the Company dated 26 August 2019.

Mitigation Actions and Internal Control Measures Taken by the Company

Our management works closely with the Changsha Ranxing Registered Shareholders and our external legal counsel and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Changsha Ranxing Contractual Arrangements.

The WFOE and Changsha Ranxing will have control measures in place, which primarily include measures with respect to accounts payables and receivables, which require the review and approval by the relevant department(s) of the WFOE and Changsha Ranxing to confirm the services provided by the WFOE and received by Changsha Ranxing periodically. Further, to ensure that the WFOE will not engage in the businesses or any other relevant businesses of Changsha Ranxing in the PRC, the WFOE will set up an internal control procedure, which requires the senior staff members of relevant departments to review the business to be entered into by the WFOE. In addition, the WFOE will review business contracts to be entered into by the WFOE to ensure compliance with the applicable PRC laws, regulations and rules.

The Extent to Which the Changsha Ranxing Contractual Arrangements Relate to Requirements Other than the Foreign Ownership Restriction

Our PRC legal advisor has further advised that the Changsha Ranxing Contractual Arrangements are narrowly tailored to minimize the potential conflict with the relevant PRC laws and regulations. For further details, please refer to the section headed "Changsha Ranxing Contractual Arrangements — Reasons for Adopting the Changsha Ranxing Contractual Arrangements" of the announcement of the Company dated 26 August 2019.

Listing Rules Implications

Pursuant to Chapter 14A of the Listing Rules, Changsha Ranxing and Changsha Ranxing Group do not fall within the definition of "Connected Person" of the Company. Accordingly, the Changsha Ranxing Contractual Arrangements and the transactions between Changsha Ranxing and the WFOE do not constitute continuing connected transactions of the Company under the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of our Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended 31 December 2019 and up to the date of this annual report.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no contract of significance was entered into between the Company or any of its subsidiary companies, and a controlling shareholder or any of its subsidiaries during the year ended 31 December 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year and up to the date of this annual report between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Company shall indemnify out of the assets of the Company any Director against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceeding, whether civil or criminal, in which judgment is given in his/her favour, or in which he is acquitted. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group during the year ended 31 December 2019.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at 31 December 2019, we had 4,042 employees (as at 31 December 2018: 3,454 employees). We adopt a merit-based compensation system for our sales team, which incentivizes our sales team to deliver superior performances. The compensation for our sales personnel includes salaries and merit-based incentives that are based on a set of performance indicators, such as total revenue generated and number of unique customer accounts acquired and retained, to provide incentives for our sales team to deliver excellent performance. We provide regular in-house and external education and training to our sales team to improve their sales skills, industry knowledge and understanding of our products and services. Our Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

As stipulated by the regulations of the PRC, the Group participates in a defined contribution retirement plan organized by municipal and provincial governments for its employees. No forfeited contribution under this scheme is available to reduce the contribution payable in future years. Further details of the Company's defined contribution retirement plan are set out in note 6 to the Consolidated Financial Statements.

Our Directors receive compensation in the form of Directors' fees, salaries, housing allowances and other allowances, benefits in kind, the employer's contribution to the pension schemes and discretionary bonuses. The basis of determining the emolument payable to our Directors include time commitment, responsibilities and employment conditions in comparable companies. The emolument of executive Directors and senior management of the Group is determined by the Remuneration Committee and the emolument of non-executive Directors is recommended by the Remuneration Committee. Details of the Directors' remuneration during the year are set out in note 9 to the Consolidated Financial Statements. No amount was paid to any Director or any of the five highest paid individual disclosed in note 9 to the Consolidated Financial Statements as an inducement to join or upon joining the Company or as a compensation for loss of office. In addition, there was no arrangement under which a Director waived or agreed to waive any remuneration.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

The pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") was approved and adopted by the Board on 30 March 2018 to replace the former share option plan as a result of the reorganization arrangements undertaken by the Group in preparation of the listing of the shares of the Company on the Hong Kong Stock Exchange. The options granted under the former share option plan were substituted by options under the Pre-IPO Share Option Scheme with effect from their original dates of grant. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme will not involve the grant of options by the Company to subscribe for shares after listing.

The purpose of the Pre-IPO Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group, in particular, (i) to motivate them to optimize their performance and efficiency for the benefit of our Group; (ii) to attract and retain them whose contributions are or will be beneficial to our Group; and (iii) to encourage them to enhance cooperation and communication amongst team members for the growth of our Group. Eligible persons include (a) any full-time executive, officers, managers or employees of our Group (including entities that the Group controls through a series of Contractual Arrangements which comprise of Wisest, TD Elite, and Liedao), or any entity designated by them, who had attained the requisite seniority and performance grade and/or targets as may be determined by the Board from time to time; (b) any Director, directors of members of our Group, or any entity designated by them; and (c) any advisor, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner, service provider or other third parties who the Board considers, in its sole discretion, has contributed or will contribute to the Group. The participant may be required to achieve any performance target as the Board may then specify in the grant before any option granted under the Pre-IPO Share Option Scheme can be exercised.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme at any time shall not exceed 42,865,895 shares, which represents approximately 8.233% of the total issued share capital of the Company as at 31 December 2019. The exercise price in respect of any option shall be such amount as may be determined by the Board from time to time and set out in the notice of offer. The options which have been granted shall be vested in accordance with the periods as may be determined by the Board and as set out in the notice of offer.

As at the date of this annual report, options to subscribe for 8,312,808 shares of the Company, representing approximately 1.60% of the total issued share capital of the Company, were outstanding and 25,109,707 options granted under the Pre-IPO Share Option Scheme have been exercised. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

An option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period as determined by the Board by delivering to our Company an executed stock option exercise notice in such form as may be approved by the Board, setting out, among others, the number of shares being purchased and the selling price of the shares. Before the options may be exercised, the Company shall have a right of first refusal to buyback the options by giving written notice to the grantee to buyback the options at a price to be determined by the Board with reference to the market value of the shares of the Company at the time when such options are exercised. The Company may exercise the right of first refusal at any time within two business days after the receipt of the executed stock option exercise notice.

Details of movements in the options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2019 are as follows:

		Number of Share Options							
Category and Name of grantee	Date of grant of share options	Outstanding as at 1 January 2019	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ lapsed during the Reporting Period	Outstanding as at 31 December 2019	Exercise period of share options	Exercise price of share options	Weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised
Executive Director									
Ms. Xu Lili	10 June 2018	1,000,000	—	—	—	1,000,000	October 2019 to October 2029	USD2.50	—
Employees of the Group									
In Aggregate	January 2012 to December 2018	20,025,675	—	10,149,871	2,562,996	7,312,808	June 2018 to June 2028	USD0.0268 to USD2.50	HKD21.11
Total		21,025,675	—	10,149,871	2,562,996	8,312,808			

Post-IPO Share Option Scheme

The post-IPO share option scheme (the "**Post-IPO Share Option Scheme**") was adopted by the resolutions of our shareholders passed at an extraordinary general meeting held on 9 June 2018. The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in our Company and to encourage selected participants to work towards enhancing the value of our Company and its shares for the benefit of the Company and the shareholders as a whole.

Any individual, being an employee, Director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of our Group or any affiliate who the Board or its delegate(s) consider(s), in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options. However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which no further options shall be offered or granted under the Post-IPO Share Option Scheme), but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any share option(s) granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO Share Option Scheme. As at 31 December 2019, the remaining life of the Post-IPO Share Option Scheme is around 9 years.

The total number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme is 49,555,946, being no more than 10% of the shares in issue on the Listing Date (the "**Option Scheme Mandate Limit**") (excluding any share which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme). Options which have been lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option scheme of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

As at the date of this annual report, options to subscribe for 3,700,000 shares of the Company, representing 0.71% of the total issued share capital of the Company, were outstanding and no option granted under the Post-IPO Share Option Scheme has been exercised.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme of our Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the shares in issue from time to time (the "**Option Scheme Limit**").

Unless approved by our shareholders, the total number of shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue (the "**Individual Limit**"). Any further grant of options to a selected participant which would result in the aggregate number of shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, canceled and outstanding options) in the 12-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our shareholders (with such selected participant and his/her associates abstaining from voting).

The subscription price in the event of the share options being exercised shall be determined by the Board and shall be not less than the greater of: (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the date of grant of the share options; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets of the Hong Kong Stock Exchange for the five business days immediately preceding the date of grant of the share options; and (iii) the nominal value of a share on the date of grant of the share options.

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine, and in any event, must not be more than 10 years from the date of a grant of the share options. The grant offer letter pursuant to which the option is to be granted may include terms such as any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the grant offer letter comprising acceptance of the offer duly signed by the grantee with the number of shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of the Company of HKD1.00 by way of consideration for the grant thereof delivered to the Company. To the extent that the offer is not accepted within 20 business days from the date on which the letter containing the offer is delivered to that selected participant, it shall be deemed to have been irrevocably declined.

Details of movements in the options granted under Post-IPO Share Option Scheme during the year ended 31 December 2019 are as follows:

Category of grantee	Dates of grant of share options (Note)	Number of Share Options: Outstanding as at 1 January 2019	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31 December 2019	Exercise period of share options	Exercise price of share options	Weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised	Closing price of the Company's shares immediately before the dates on which the share options were granted
Employees of the Group											
In Aggregate	6 September 2019; 20 November 2019	—	3,700,000	—	—	—	3,700,000	September 2019 to November 2029	HKD18.22 to HKD18.30	—	HKD18.52; HKD19.22
Total		—	3,700,000	—	—	—	3,700,000				

Note:

50% of the share options granted shall vest on the second anniversary of the respective dates of grant, 25% of share options granted shall vest on the third anniversary of the respective dates of grant and the remaining 25% of share options granted shall vest on the fourth anniversary of the respective dates of grant.

Restricted Share Unit Scheme

The post-IPO restricted share unit scheme (the "**RSU Scheme**") was approved and adopted by the Board on 25 January 2019. The RSU Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. The purpose of the RSU Scheme is to reward employees for their past contribution to the success of the Company and to provide incentives to them to further contribute to the Company.

Eligible participants include any employee or officer of the Company or any subsidiary including (without limitation to) any executive or non-executive Director in the employment of or holding office in the Company or any subsidiary of the Company who the Board considers, in its sole discretion, has contributed or will contribute to the Group. The Board may in its absolute discretion specify such event, time limit or conditions (if any) as it thinks fit when making the offer of award to the eligible participant, including, without limitation, conditions as to performance criteria to be satisfied by the eligible participant and/or the Company and/or the Group which must be satisfied before an award can be vested.

The RSU Scheme shall be valid and effective for the period of ten years commencing on the date of adoption (after which no further options shall be offered or granted under the RSU Scheme), but in all other respects the provisions of the RSU Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any restricted share units ("**RSUs**") granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the RSU Scheme.

The maximum number of shares in respect of which RSUs may be granted under the RSU Scheme when aggregated with the maximum number of shares in respect of which options or awards may be granted under any other share-based incentive scheme shall not exceed 10% of the total issued share capital of the same class of the Company as of the date of adoption of the RSU Scheme (or of the refreshment of the 10% limit). Awards which have been lapsed in accordance with the terms of the RSU Scheme (or any other share option scheme of the Company) shall not be counted for the purpose of calculating the 10% limit.

An offer of the grant of an award shall be made to any eligible participant by the notice of grant in such form as the Board may from time to time determines, specifying the number of shares underlying the RSUs granted to them, the vesting schedule as determined by the Board in its discretion, the date by which the grant must be accepted being a date not more than 28 days after the offer date and further requiring the eligible participant to hold the award on the terms on which it is to be granted and to be bound by the provisions of the RSU Scheme.

Unless otherwise determined by the Board at its discretion, no RSU shall be vested in the event that the relevant grantee fails to satisfy the specific terms and conditions applicable to each RSU which may be determined at the sole and absolute discretion of the Board or breaches any term of the RSU Scheme. The trustee will hold the RSUs on trust for the grantees until they are vested. Upon the issuance of the vesting notice by the Board to a grantee, the trustee will transfer the relevant RSUs to that grantee (or its designee). The vesting notice will confirm the extent to which the vesting criteria and conditions have been fulfilled, satisfied or waived, and the number of shares or the amount of cash the grantee will receive, to each of the relevant grantee.

The remaining life of the RSU Scheme is around 9 years.

Details of movements in the RSUs granted under the RSU Scheme during the year ended 31 December 2019 are as follows:

		Number of RSUs					
Category of grantee	Dates of grant RSUs	Outstanding as at 1 January 2019	Granted during the Reporting Period	Forfeited during the Reporting Period	Vested during the Reporting Period	Outstanding as at 31 December 2019	Vesting period of RSUs
Employees of the Group							
In Aggregate	25 January 2019; 4 April 2019; 17 July 2019; 1 October 2019	—	3,656,121	223,003	0	3,433,118	4 years
Total		—	3,656,121	223,003	0	3,433,118	

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2019.

MAJOR CUSTOMERS AND SUPPLIERS

Our customers are predominantly business users, from whom we derive substantially all our revenue. Our suppliers primarily include (i) advertising service providers, (ii) headhunters and other talent service providers, and (iii) server hosting and bandwidth providers. We have a broad base of suppliers and business customers, and we do not have any supplier or customer concentration risks.

During the year ended 31 December 2019, the respective percentage of purchases attributable to the Group's five largest suppliers in aggregate and the respective percentage of the total sales attributable to the Group's five largest customers in aggregate were less than 10% and less than 5%, respectively.

None of our Directors or any of their close associates or any shareholder (which to the best knowledge of our Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers or customers.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

COMPLIANCE WITH THE CG CODE

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the basis of the Company's corporate governance practices and has complied with the code provisions as set out in the CG Code during the year ended 31 December 2019, save for the deviation from code provision A.2.1 as disclosed below.

We do not have a separate chairman and chief executive officer and Mr. Dai Kebin currently performs these two roles. While this will constitute a deviation from code provision A.2.1 of the CG Code, our Board believes that this structure will not impair the balance of power and authority between our Board and the management of our Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our directors and that our Board comprises three independent non-executive directors out of nine directors, and we believe there is sufficient check and balance in our Board; (ii) Mr. Dai Kebin and the other directors are aware of and undertake to fulfill their fiduciary duties as directors, which require, among other things, that they act for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of our Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial and operational policies of our Group are made collectively after thorough discussion at both our Board and senior management levels. Finally, as Mr. Dai Kebin is our principal founder, our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for and communication within our Group. Our Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by KPMG.

KPMG shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the AGM.

By Order of the Board of Directors
Wise Talent Information Technology Co., Ltd
Dai Kebin
Chairman

PRC, 19 March 2020

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

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

The Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

In the opinion of the Directors, throughout the year ended 31 December 2019, the Company has complied with all the code provisions as set out in the CG Code, except for code provision A.2.1 of the CG Code which provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual, details of which are set out on page 75 under the section headed "Board of Directors" of this Corporate Governance Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions.

Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2019.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and makes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from each Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing such responsibilities.

Board Composition

The Board currently comprises nine Directors, consisting of three executive Directors, three non-executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Dai Kebin *(Chairman and Chief Executive Officer)*
Mr. Chen Xingmao *(Chief Technology Officer)*
Ms. Xu Lili *(Chief Financial Officer)*

Non-executive Directors

Mr. Shao Yibo
Mr. Zuo Lingye
Mr. Ding Gordon Yi

Independent Non-executive Directors

Mr. Ye Yaming
Mr. Zhang Ximeng
Mr. Choi Onward

The biographical information of the Directors is set out in the section headed "Biographies of Directors and Senior Management — Directors" on pages 32 to 34 of this annual report.

Save as disclosed in this annual report, to the best knowledge of the Company, there has been no financial, business, family, or other material/relevant relationships among members of the Board.

Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer of the Company are held by Mr. Dai Kebin who is the principal founder of the Company.

The Board believes that this structure will not impair the balance of power and authority between our Board and the management of our Company, given that: (i) decision to be made by the Board requires approval by at least a majority of Directors and that the Board comprises three independent non-executive Directors out of nine Directors, and the Board believes there is sufficient check and balance in the Board; (ii) Mr. Dai Kebin and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of the Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels. Finally, as Mr. Dai Kebin is the principal founder of the Group, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for and communication within the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman and Chief Executive Officer is necessary.

Independent Non-executive Directors

During the year ended 31 December 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company under which they agreed to act as executive Directors for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or the Company. Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company for a term of one year with effect from the Listing Date (which was subsequently renewed with a further term of one year each). The appointments of Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Under the Articles of Association, at every AGM of the Company, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to, but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Articles of Association also provides that all Directors appointed to fill a casual vacancy or as an addition to the existing Directors shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for promoting its success by directing and supervising the Company's affairs. All Directors should make decisions objectively in the best interests of the Company.

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

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

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

The Directors should disclose to the Company details of other offices held by them in public companies or organisations and other significant commitments. The Board should regularly review the contribution required from each Director to perform his/her responsibilities to the Company, and whether he/she is spending sufficient time performing such responsibilities.

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

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

Continuous Professional Development of Directors

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

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

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

During the year ended 31 December 2019, the Company organized training sessions conducted by the qualified professionals for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors for the year ended 31 December 2019 are summarized as follows:

Directors	Type of Training Note
Executive Directors	
Mr. Dai Kebin	A & B
Mr. Chen Xingmao	A & B
Ms. Xu Lili	A & B
Non-executive Directors	
Mr. Shao Yibo	A & B
Mr. Zuo Lingye	A & B
Mr. Ding Gordon Yi	B
Independent Non-executive Directors	
Mr. Ye Yaming	A
Mr. Zhang Ximeng	A & B
Mr. Choi Onward	A & B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
B: Reading relevant news alerts, newspapers, journals, magazines and publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" on page 6 of this annual report.

Audit Committee

The Audit Committee consists of three members, including one non-executive Director, namely Mr. Zuo Lingye, and two independent non-executive Directors, namely Mr. Ye Yaming and Mr. Choi Onward. Mr. Choi Onward is the chairman of the Audit Committee.

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

The Audit Committee has considered and reviewed the consolidated results for the year ended 31 December 2019 of the Group and the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting with the management. The Audit Committee considers that the annual financial results for the year ended 31 December 2019 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

During the year ended 31 December 2019, the Audit Committee held two meetings to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors, engagement of non-audit services and relevant scope of works, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors once without the presence of the executive Directors.

Remuneration Committee

The Remuneration Committee consists of three members, including one non-executive Director, namely Mr. Ding Gordon Yi, and two independent non-executive Directors, namely Mr. Zhang Ximeng and Mr. Choi Onward. Mr. Zhang Ximeng is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining or making recommendations to the Board on the remuneration packages of individual executive Directors and senior management; reviewing and approving management's remuneration proposals with reference to the goals and objectives of the Board; making recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration; establishing a formal and transparent procedure for developing remuneration policy to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the year ended 31 December 2019, the Remuneration Committee held one meeting to review the remuneration policy and the remuneration packages of the executive Directors and senior management. The Company believes that such remuneration policy and the remuneration packages of the executive Director and senior management are appropriate for 2019.

Further details of the remuneration payable to the Directors and the five highest paid individuals for the year ended 31 December 2019 are set out in note 9 to the Consolidated Financial Statements in this annual report.

Nomination Committee

The Nomination Committee consists of three members, including one executive Director namely Mr. Dai Kebin, and two independent non-executive Directors, namely Mr. Ye Yaming and Mr. Zhang Ximeng. Mr. Dai Kebin is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board annually and making recommendations on any proposed change to the Board to complement the Company's corporate strategy; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the Chief Executive, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy (the "**Board Diversity Policy**"). The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Company's director nomination policy (the "**Director Nomination Policy**") that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 December 2019, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider and recommend to the Board on the appointment of Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

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

The Nomination Committee will review the Board Diversity Policy, from time to time and as appropriate, to ensure its effectiveness.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Reputation for integrity
- Commitment in respect of available time and relevant interest
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2019, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, from time to time and as appropriate, to ensure its effectiveness.

Corporate Governance Functions

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

During the year ended 31 December 2019, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

Code provision A.1.1 of the CG Code stipulates that the board should meet regular and board meetings should be held at least four times a year at approximately quarterly intervals involving active participation, either in person or through electronic means of communication, of a majority of Directors entitled to be present.

Code provision A.2.7 of the CG Code has been revised to require that the chairman should at least annually hold meetings with independent non-executive Directors without the presence of other directors.

A summary of the attendance record of each Director at the Board meetings, Board Committee meetings and general meeting of the Company held during the year ended 31 December 2019 is set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Meeting between Chairman and independent non-executive directors
Executive Directors						
Mr. Dai Kebin	9/9	—	—	1/1	1/1	1/1
Mr. Chen Xingmao	9/9	—	—	—	1/1	—
Ms. Xu Lili	9/9	—	—	—	1/1	—
Non-executive Directors						
Mr. Shao Yibo	8/9	—	—	—	0/1	—
Mr. Zuo Lingye	9/9	2/2	—	—	1/1	—
Mr. Ding Gordon Yi	9/9	—	1/1	—	1/1	—
Independent Non-executive Directors						
Mr. Ye Yaming	9/9	2/2	—	1/1	1/1	1/1
Mr. Zhang Ximeng	9/9	—	1/1	1/1	1/1	1/1
Mr. Choi Onward	9/9	2/2	1/1	—	1/1	1/1

Independent non-executive Directors and non-executive Directors (except Mr. Shao Yibo) have attended the annual general meeting to gain and develop a balanced understanding of the view of shareholders.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

The Company has adopted and implemented comprehensive risk management policies in various aspects of its business operations such as information system, data security, privacy, investment and counterpart, with the following principles, features and processes:

Information System Risk Management

Sufficient maintenance, storage and protection of user data and other related information is critical to the Company's success. The Company has implemented relevant internal procedures and controls to ensure that user data is protected and that leakage and loss of such data is avoided.

The Company's IT operation and maintenance department is responsible for ensuring that the usage, maintenance and protection of user data are in compliance with the internal rules and the applicable laws and regulations. The Company also provides regular trainings to the information technology team.

Data Security Risk Management

The Company believes data security is critical to the business operation because data are the foundation of the Company's competitive edge. The Company protects user and internal data in accordance with technical measures and internal data protection policies. Moreover, all of the Company's data are backed up on a daily basis by different servers located in our Beijing and Tianjin data centers, and the Company has a sophisticated set of security and remediation protocols to follow in the case of a data security emergency.

From an internal policy perspective, the Company strictly limits the number of personnel who can access the servers that store user and internal data, and only grant such access on a "need-to-know" basis. The Company has also adopted internal policies on data theft prevention, mitigation measures against data loss and data security crisis management, and have regularly organized training sessions to get employees familiar with these policies and related best practices. In addition, the Company conducts reviews on compliance by members of the staff with data security and risk management policies on a regular basis as well. Lastly, to cope with any possible data leakage incident, the Company deploys a data security crisis management team that is well trained to spot, isolate and dissolve the situation or to mitigate any damage resulting from such incident.

Privacy Risk Management

The Company values users' privacy and adopts strict policy and strong product features to ensure with privacy protection in accordance with applicable laws. When every individual user, business user and headhunter registers with the Company's platform, they are required to review and agree to the terms and conditions. Following regulatory requirements of legal, proper and necessary use, the Company clearly lists out in the user agreement the situations that the Company will use personal information from individual users, business users and headhunters. The Company undertakes to obtain users' consents prior to any use that is not specifically provided for in the terms and conditions.

The Company develops products with user-friendly options for individual users to manage the scope of publicity of certain information. The guiding principle in privacy protection is to ensure that the users give explicit consent to any access to, or use or disclosure of, their personal data by any third party. The Company's data security team will also handle any data privacy breach incident in the same way that it handles any other type of data security incidents.

Investment Risk Management

The Company's investment strategy is to invest in or acquire businesses that are complementary to its business, such as businesses that can expand the content creation, sourcing, distribution and adaptation capabilities and strengthen our technological capabilities. The Company sets up an annual investment plan in line with the business strategies with inputs from various business departments. An investment budget is set up based on the overall financial conditions every year.

The Company generally intends to hold investments for the long term. The investments are generally made in the form of preferred shares (in the case of companies incorporated outside China) or ordinary shares with preference rights (in the case of companies established in China). In order to manage the potential risks associated with investments, the Company generally requests its investee companies to grant customary investor rights, including governance rights and transfer rights.

The Company's senior management including the founder and chief executive officer, Mr. Dai Kebin, is responsible for investment project sourcing and execution. Once target companies are identified, the Company will conduct legal, business, financial and operational due diligence on the target companies, and draft investment agreements based on the agreed term sheets. Any proposed investment will be submitted to the Board for approval if the investment amount involved exceeds the threshold determined by the Board.

Counterparty Risk Management

To reduce counterparty risk from the Company's business customers, the Company intentionally avoids concentration of big customers and has a robust onboarding procedures involving business license verifications, phone call and selective on-site visit with register business users and headhunters. In addition, the Company only extends credit to selected business customers with strong financial capabilities to minimize the risk of contractual default.

All divisions conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division.

The management, in co-ordination with division heads, assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2019.

The internal audit department of the Group assisted the Board and the Audit Committee in their review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function examined key issues in relation to the accounting practices and all material controls with no material issues identified.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2019, and considered that such systems are effective and adequate. The annual review also covered the financial reporting, internal audit function, adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Arrangements are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 90 to 94 in this annual report.

AUDITOR'S REMUNERATION

The Company appointed Messrs. KPMG as the external auditor for the year ended 31 December 2019. During the year ended 31 December 2019, the remuneration paid to Messrs. KPMG in respect of audit services and non-audit services is set out below:

Service Category	**Fees Paid/ Payable** *RMB'000*
Audit Services	4,584
Non-audit Services	463
	5,047

COMPANY SECRETARY

Ms. Fung Wai Sum of Tricor Services Limited, an external service provider, has been appointed as the company secretary of the Company. Ms. Fung is a senior manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Li Zhi of the Investor Relations department of the Company is the primary corporate contact person of the company secretary of the Company, Ms. Fung.

For the year ended 31 December 2019, Ms. Fung has undertaken not less than 15 hours of relevant professional training to update her knowledge and skills in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels.

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

Convening an Extraordinary General Meeting

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

Putting Forward Proposals at General Meetings

There are no provisions under the Articles of Association or the Companies Law of the Cayman Islands regarding procedures for shareholders to put forward proposals at general meetings other than a proposal of a person for election as a Director.

Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

For proposal of a person for election as Director, pursuant to Article 16.4 of the Articles of Association, no person shall, unless proposed by the Board pursuant to the recommendation of the Nomination Committee, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the company secretary of the Company notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected, and such person has been approved by the Nomination Committee and the Board.

Putting Forward Enquiries to the Board

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

Contact Details

Shareholders and investors may send their enquiries or requests as mentioned above to the following:

Address:	Unit 417, 4th Floor, Lippo Centre, Tower 2, No. 89 Queensway, Admiralty, Hong Kong (For the attention of the Board of Directors)
Email:	ir@liepin.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business, performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through AGMs and other general meetings. At the AGMs, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the year ended 31 December 2019, the Company has not made any changes to its Articles of Association. The Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a shareholders' communication policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a dividend policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors, among others, financial results, cash flow situation, business conditions and strategies and future operations and earnings, as set out in the dividend policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

To the shareholders of
Wise Talent Information Technology Co., Ltd
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wise Talent Information Technology Co., Ltd. ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 95 to 182, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Recognition of subscription-based model service revenue

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

The Key Audit Matter

The Group generates over half of its revenue from providing a variety of talent acquisition services to its business customers under the subscription-based model.

Under subscription-based model, the Group provides to the business customers a customised package of service, mainly including online job posting, CV search, 360-degree CV downloading, intent communications with job candidates, invitations to apply for jobs, top display of job postings, etc. The Group normally receives all of the subscription fee upfront. The subscription fee is non-refundable.

Each service is a performance obligation. At contract inception, the transaction price is allocated to each performance obligation on the basis of relative stand-alone selling price. The stand-alone selling prices are determined by observable price of a service when the Group sells that service separately in similar circumstances and to similar customers.

The Group maintains information technology ("**IT**") systems to track the allocation and recognition of service revenue.

We identified the recognition of subscription-based model service revenue as a key audit matter because each contract may have different service components and terms and conditions which increases the risk of error and because revenue is one of the key performance indicators of the Group and could be subject to manipulation to meet targets or expectation.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of subscription-based model service revenue included the following:

- inspecting the key terms and conditions of contracts with customers, on a sample basis, to assess if there were any terms and conditions that may affect the revenue recognition;
- obtaining an understanding of and assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of the Group's general IT controls and key application controls over the Group's IT system which govern revenue recognition, including the interfaces between different systems, and key manual internal controls over revenue recognition;
- comparing, on a sample basis, the transaction prices of the contracts with customers, stand-alone selling prices for each performance obligation and services provided captured in the IT system with the underlying signed contracts, the observable prices of the service when the Group sells that service in similar circumstances and to similar customers and service consumption records; and
- Inspecting underlying documentation for journal entries which met specified risk-based criteria.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yu Wai Sum.

KPMG
Certified Public Accountants

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

19 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019
(Expressed in RMB)

	Note	2019 RMB'000	2018 (Note) RMB'000
Revenue	4	**1,513,474**	1,225,308
Cost of revenue		**(345,789)**	(237,658)
Gross profit		**1,167,685**	987,650
Other income	5	**120,067**	69,912
Sales and marketing expenses		**(723,341)**	(713,097)
General and administrative expenses		**(247,409)**	(211,693)
Research and development expenses		**(185,202)**	(138,430)
Profit/(loss) from operations		**131,800**	(5,658)
Net finance income	7	**1,895**	16,807
Share of losses of associate	17	**(2,911)**	(960)
Deemed disposal of associate	34(a)	**10,522**	—
Profit before taxation	6	**141,306**	10,189
Income tax	8	**(14,678)**	(7,446)
Profit for the year		**126,628**	2,743
Attributable to:			
— Equity shareholders of the Company		**120,353**	7,737
— Non-controlling interests		**6,275**	(4,994)
Profit for the year		**126,628**	2,743
Earnings per share	11		
Basic (RMB Cent)		**23.37**	1.70
Diluted (RMB Cent)		**23.10**	1.60

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 103 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in RMB)

	Note	2019 RMB'000	2018 *(Note)* RMB'000
Profit for the year		126,628	2,743
Other comprehensive income for the year (after tax and reclassification adjustments)	10		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas group entities		46,114	94,675
Other comprehensive income for the year		46,114	94,675
Total comprehensive income for the year		172,742	97,418
Attributable to:			
Equity shareholders of the Company		166,467	102,412
Non-controlling interests		6,275	(4,994)
Total comprehensive income for the year		172,742	97,418

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 103 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019
(Expressed in RMB)

	Note	31 December 2019 RMB'000	31 December 2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment	12	139,059	27,751
Investment properties	12	36,445	28,065
Intangible assets	13	192,872	13,227
Goodwill	14	711,184	—
Prepayments for investments	15	27,119	—
Interests in associate	17	1,509	18,444
Other financial assets	18	143,561	105,918
Deferred tax assets	30	9,630	—
Other non-current assets	19	7,248	7,161
		1,268,627	200,566
Current assets			
Trade receivables	21	68,239	36,019
Prepayments and other receivables	22	115,671	72,117
Receivables from related parties	33(b)	10,991	—
Other current assets	23	136,865	79,118
Time deposits with banks	24	2,227,592	2,587,426
Cash and cash equivalents	25	359,156	648,331
		2,918,514	3,423,011
Current liabilities			
Trade and other payables	26	205,540	151,625
Contract liabilities	20	678,460	636,992
Interest-bearing borrowings	27	59,000	—
Lease liabilities	28	44,241	—
Current taxation	30	32,897	7,442
		1,020,138	796,059

At 31 December 2019
(Expressed in RMB)

	Note	31 December 2019 RMB'000	31 December 2018 (Note) RMB'000
Net current assets		**1,898,376**	2,626,952
Total assets less current liabilities		**3,167,003**	2,827,518
Non-current liabilities			
Lease liabilities	28	**59,747**	—
Deferred tax liabilities	30	**28,992**	—
		88,739	—
NET ASSETS		**3,078,264**	2,827,518
CAPITAL AND RESERVES			
Share capital	31(d)	**339**	332
Reserves	31(e)	**2,969,046**	2,828,363
Total equity attributable to equity shareholders of the Company		**2,969,385**	2,828,695
Non-controlling interests		**108,879**	(1,177)
TOTAL EQUITY		**3,078,264**	2,827,518

Approved and authorised for issue by the board of directors on 19 March 2020.

Dai Kebin	)	
	)	Directors
Xu Lili	)	

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 103 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019
(Expressed in RMB)

		Attributable to equity shareholders/owners of the Company								
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for RSU scheme RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2018		31,785	–	–	350,923	–	1,877	384,585	3,817	388,402
Changes in equity for 2018:										
Profit for the year		–	–	–	–	–	7,737	7,737	(4,994)	2,743
Other comprehensive income		–	–	–	–	94,675	–	94,675	–	94,675
Total comprehensive income		–	–	–	–	94,675	7,737	102,412	(4,994)	97,418
Repurchase of own shares	31(d)(i)	(402)	–	–	(78,743)	–	–	(79,145)	–	(79,145)
Group reorganisation	31(d)(ii)	(31,383)	–	–	(272,180)	–	–	(303,563)	–	(303,563)
Capitalisation issuance	31(d)(iii)	263	302,928	–	–	–	–	303,191	–	303,191
Issuance of shares for the initial public offering ("IPO"), net of issuance cost	6(a)/29/31(d)(iv)	59	2,370,040	–	–	–	–	2,370,099	–	2,370,099
Shares issued under share option scheme	6(a)/29/31(d)(v)	10	44,402	–	(41,632)	–	–	2,780	–	2,780
Share-based compensation expenses	6(a)/29	–	–	–	48,336	–	–	48,336	–	48,336
Balance at 31 December 2018 and 1 January 2019		332	2,717,370	–	6,704	94,675	9,614	2,828,695	(1,177)	2,827,518
Changes in equity for 2019:										
Profit for the year		–	–	–	–	–	120,353	120,353	6,275	126,628
Other comprehensive income	10(a)	–	–	–	–	46,114	–	46,114	–	46,114
Total comprehensive income		–	–	–	–	46,114	120,353	166,467	6,275	172,742
Disposal of FVOCI		–	–	–	–	–	3,720	3,720	–	3,720
Shares held for the restricted share unit scheme of the Company (the "RSU scheme")	31(c)	–	–	(87,436)	–	–	–	(87,436)	–	(87,436)
Shares issued under share option scheme	29/31(d)(v)	7	38,514	–	(34,349)	–	–	4,172	–	4,172
Non-controlling interests arising from business combinations	34	–	–	–	–	–	–	–	102,801	102,801
Capital injection from non-controlling owners		–	–	–	–	–	–	–	980	980
Share-based compensation expenses	6(a)/29	–	–	–	53,767	–	–	53,767	–	53,767
Balance at 31 December 2019		339	2,755,884	(87,436)	26,122	140,789	133,687	2,969,385	108,879	3,078,264

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 103 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019
(Expressed in RMB)

	Note	2019 RMB'000	2018 (Note) RMB'000
Operating activities			
Profit before taxation		**141,306**	10,189
Adjustments for:			
Credit losses on trade receivables	32(a)	**19,252**	12,528
Depreciation of property, plant and equipment and investment property	12	**13,950**	12,329
Depreciation of right-of-use assets	12	**39,831**	—
Amortization of intangible assets	13	**8,798**	2,192
(Profit)/loss on disposal of property, plant and equipment		**(18)**	7
Net finance income excluding bank charges and other finance costs	7	**(3,233)**	(17,649)
Investment income from wealth management products	5	**(715)**	(1,833)
Share of losses of associates	17	**2,911**	960
Deemed disposal of associate	34(a)	**(10,522)**	—
Fair value change of financial assets at fair value through profit or loss	5	**(2,972)**	—
Share-based compensation expenses	6(a)	**53,767**	48,336
Changes in working capital:			
Increase in trade receivables		**(30,643)**	(30,085)
Increase in prepayments and other receivables and other current assets		**(24,338)**	(56,338)
Increase in contract liabilities		**25,090**	193,202
Increase in trade and other payables		**17,327**	29,977
Cash generated from operations		**249,791**	203,815
Income tax paid		**(600)**	(5)
Net cash generated from operating activities		**249,191**	203,810

For the year ended 31 December 2019
(Expressed in RMB)

	Note	2019 RMB'000	2018 (Note) RMB'000
Investing activities			
Proceeds from sale of property, plant and equipment		132	118
Investment income from wealth management products received		650	1,471
Proceeds from maturity of wealth management products		147,000	240,000
Proceeds from maturity of time deposits with banks		4,672,637	398,586
Loan to related parties	33(b)	(10,991)	—
Payment for the purchase of property, plant and equipment and intangible assets		(16,513)	(19,384)
Payment for the purchase of wealth management products		(111,000)	(190,000)
Payment for the purchase of equity securities		(57,769)	(115,326)
Payment for business acquisitions net of cash acquired	34	(835,221)	—
Placement of time deposits with banks		(4,284,010)	(2,544,536)
Net cash used in investing activities		(495,085)	(2,229,071)

For the year ended 31 December 2019
(Expressed in RMB)

	Note	2019 RMB'000	2018 (Note) RMB'000
Financing activities			
Capital injection from owners		—	2,371,875
Capital injection from non-controlling owners		980	—
Proceeds from share issued under share option scheme	31(d)	4,172	—
Proceeds from reorganisation		—	1,054,606
Proceeds from interest-bearing borrowings	25(b)	59,000	352,765
Shares held for RSU scheme	31(c)	(89,177)	—
Payment for repurchase of own shares		—	(16,507)
Payment for reorganisation		—	(1,054,978)
Repayment from interest-bearing borrowings		—	(352,765)
Interest paid		(806)	(1,758)
Interest element of lease rentals paid	2(c)	(4,818)	—
Capital element of lease rentals paid	2(c)	(38,472)	—
Payment for issuance cost		—	(1,535)
Net cash (used in)/generated from financing activities		(69,121)	2,351,703
Net (decrease)/increase in cash and cash equivalents		(315,015)	326,442
Cash and cash equivalents at the beginning of the year	25(a)	648,331	251,345
Effect of foreign exchange rate changes		25,840	70,544
Cash and cash equivalents at the end of the year	25(a)	359,156	648,331

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 103 to 182 form part of these financial statements.

1 PRINCIPAL ACTIVITIES AND ORGANISATION

Wise Talent Information Technology Co., Ltd (the "**Company**") was established in the Cayman Islands on 30 January 2018 as an exempted company with limited liability under the Companies Law (2013 Revision) (as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the provision of talent acquisition services.

On June 29, 2018, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**HKSE**").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except financial assets measured at fair value which are stated at their fair value as explained in the accounting policies set out below.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

(c) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases — incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements brought forward from IAS 17 are substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has no effect of initial application to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

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

a. *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. *Lessee accounting and transitional impact*

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment. For an explanation of how the Group applies lessee accounting, see note 2(l)(i).

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

b. *Lessee accounting and transitional impact* (Continued)

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	115,603
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(9,789)
	105,814
Less: total future interest expenses	(7,750)
Lease liabilities recognised at 1 January 2019	98,064

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

b. *Lessee accounting and transitional impact* (Continued)

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *RMB'000*	Capitalisation of operating lease contracts *RMB'000*	Carrying amount at 1 January 2019 *RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	27,751	98,019	125,770
Total non-current assets	200,566	98,019	298,585
Prepayments and other receivables	72,117	(3,521)	68,596
Current assets	3,423,011	(3,521)	3,419,490
Trade and other payables	151,625	(3,566)	148,059
Lease liabilities (current)	—	34,812	34,812
Current liabilities	796,059	31,246	827,305
Net current assets	2,626,952	(34,767)	2,592,185
Total assets less current liabilities	2,827,518	63,252	2,890,770
Lease liabilities (non-current)	—	63,252	63,252
Total non-current liabilities	—	63,252	63,252
Net assets	2,827,518	—	2,827,518

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

c. *Impact on the financial result and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 25(b)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement (see note 25(c)).

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

c. *Impact on the financial result and cash flows of the Group* (Continued)

	2019				2018
	Amounts reported under IFRS 16 (A)	Add back: IFRS 16 depreciation and interest expense (B)	Deduct: Estimated amounts related to operating leases as if under IAS 17 *(note 1)* (C)	Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C)	Compared to amounts reported for 2018 under IAS 17
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial result for the year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	131,800	39,831	(41,431)	130,200	(5,658)
Net finance income	1,895	4,818	—	6,713	16,807
Profit before taxation	141,306	44,649	(41,431)	144,524	10,189
Income tax	(14,678)	(11,349)	10,358	(15,669)	(7,446)
Profit for the year	126,628	33,300	(31,073)	128,855	2,743

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

c. *Impact on the financial result and cash flows of the Group* (Continued)

	2019			2018
	Amounts reported under IFRS 16 (A) *RMB'000*	Estimated amounts related to operating leases as if under IAS 17 *(notes 1 & 2)* (B) *RMB'000*	Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) *RMB'000*	Compared to amounts reported for 2018 under IAS 17 *RMB'000*
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	249,791	(43,290)	206,501	203,815
Net cash generated from operating activities	249,191	(43,290)	205,901	203,810
Capital element of lease rentals paid	(38,472)	38,472	—	—
Interest element of lease rentals paid	(4,818)	4,818	—	—
Net cash used in financing activities	(69,121)	43,290	(25,831)	2,351,703

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

d. Leasehold investment property

Under IFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("**leasehold investment properties**"). The adoption of IFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply IAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018.

(d) Functional and presentation currency

Items included in the financial statements of each of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is United States Dollars ("**USD**"). The Company's subsidiaries were incorporated in the PRC and these subsidiaries considered Renminbi ("**RMB**") as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(e) Subsidiaries and non-controlling interests

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

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

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Subsidiaries and non-controlling interests (Continued)

(i) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company.

Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Group. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

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

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

In the Group's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Associates and joint ventures

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

A joint venture is an arrangement whereby the Group or company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

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

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

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(m)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Other investments in debt and equity securities

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

Investments are recognised on the date the Group commits to purchase the investments or they expire. Investments in debt and equity securities are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 32(d). These investments are subsequently accounted for as follows, depending on their classification:

Equity investments

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investment properties

Investment properties are buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. The Group determines whether a property qualifies as an investment property on the condition that if a property held to earn rentals or for capital appreciation or both.

(i) Recognition and measurement

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses (see note 2(m)(ii)).

(ii) Depreciation

Depreciation is based on the cost of an investment property less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of investment property of 27 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

In the comparative period, when the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(l)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(l).

(j) Property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(m)(ii)).

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Property, plant and equipment (Continued)

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

—	Right-of-use assets	1–5 years
—	Buildings and structure	30 years
—	Motor vehicles	4 years
—	Office equipment and others	2–5 years
—	Leasehold improvements	the shorter of the unexpired term of lease and estimated useful lives

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

(k) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortization and impairment losses (see note 2(m)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets mainly include software, databases, customer relationship, brand, and online questionnaire platform. They are initially recognised and measured at cost or estimated fair value of intangible assets acquired through business combinations. The intangible assets are amortised over their estimated useful lives (generally three to ten years) using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

Intangible assets are stated at cost less accumulated amortization and impairment losses (see note 2(m)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Both the period and method of amortization are reviewed annually.

The Group has no intangible assets with indefinite useful life.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) *Policy applicable from 1 January 2019*

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(j) and 2(m)(iii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leased assets (Continued)

(i) As a lessee (Continued)

(B) Policy applicable prior to 1 January 2019

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

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

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

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and receivables from related parties which are held for the collection of contractual cash flows which represent solely payments of principal and interest);

— contract assets as defined in IFRS 15 (see note 2(o)); and

— lease receivables;

Other financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Measurement of ECLs (Continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Significant increases in credit risk

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Basis of calculation of interest income

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

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

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

— significant financial difficulties of the debtor;

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

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

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

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

Write-off policy

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

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

— property, plant and equipment and investment properties;

— intangible assets;

— goodwill; and

— investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

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

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

— *Reversals of impairment losses*

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

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

(iii) Interim financial reporting and impairment

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

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

(n) Other contract cost

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are expensed when incurred as almost all the incremental costs of the Group are expected to be amortised within one year. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Costs of fulfilling a contract are expensed using a method which is consistent with the pattern of recognition of the respective revenue.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(x)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(m)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(p)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(x)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(p)).

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

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

(p) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(o)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(m)(i)).

(q) Cash and cash equivalents

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

(r) Trade and other payables

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits

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

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

(ii) Share-based payment

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

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

(t) Income tax

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

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

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

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

  — the same taxable entity; or

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

(u) Provisions and contingent liabilities

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

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

(v) Revenue and other income

The Group generates revenue from providing a variety of talent services to business customers and individual paying users.

Revenue is recognised when the customer obtains control of the promised service in the contract.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

(i) Revenue from services

Talent acquisition services provided to business customers

— Subscription-based model:

The Group generates over half of its revenue from providing a variety of talent acquisition services to its business customers under the subscription-based model. Under subscription-based model, the Group provides to the customers a customised package of services, such services including online job posting, CV search, 360-degree CV downloading, intent communications with job candidates, invitations to apply for jobs, top display of job postings, etc.

The subscription fee varies based on the type and quantity of services agreed with the business customers. The Group normally receives all of the subscription fee upfront, such amount is non-refundable and recognised as contract liabilities as a current liability.

Under the subscription-based model, the service can be divided into two categories: 1) consumption based such as 360-degree CV downloading, intent communications with job candidates, invitations to apply for jobs, etc. and 2) time-based services such as top display of job posting and access to the platform, etc.

Each service is a performance obligation. At contract inception, the transaction price is allocated to each performance obligation on the basis of relative stand-alone selling price. The stand-alone selling prices are determined by observable price of a service when the Group sells that service separately in similar circumstances and to similar customers. The revenue from the consumption-based service is recognised upon the consumption of the individual service. The revenue from the time-based service is recognised on a straight-line basis over the contract period.

Breakage on consumption-based revenue refer to the service under consumption-base contract that will expire unused. Prior to 2019, the Group recognised such revenue upon the expiry of the contract when the Group has no future obligation, considering the Group only have 2 years' historical data. In 2019, with the accumulated historical data, the Group estimated the expected breakage based on historical experience and recognised the expected breakage as revenue in proportion to the pattern of services utilised by the customers. Any residual contract liabilities at the end of the service period, after the effect of previously recognised expected breakage amount, is fully recognised in profit or loss. This change in estimates increased revenue by RMB26,545 thousand in the consolidated statement of profit or loss for the year ended 31 December 2019. The approximate effect of the change in estimates on profit in the future periods is not disclosed since it is impractical to estimate that effect because future subscription-based contract value is uncertain.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

(i) Revenue from services (Continued)

Talent acquisition services provided to business customers (Continued)

— Transaction-based models

The Group provides to the business customers' transaction-based services such as closed-loop services leading up to candidate interview (Interview Express) or closed-loop services related to onboarding (Onboarding Express) and other project-based services.

The revenue from transaction-based services is recognised when the service performance is accepted by the customer.

Professional career services provided to individual paying users

— Professional career services

These services are provided to individual paying users for premium membership services or career advisory services. The revenue is recognised on a straight-line basis over the contract period for the time-based membership service or upon the performance of the service of transaction-based service such as career advisory services.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Government grants

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

(iv) Interest income

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

(w) Translation of foreign currencies

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

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

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

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

(z) Segment reporting

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Segment reporting (Continued)

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

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has determined and presented a single reportable segment to disclose information as a whole about its services, geographical areas, and major customers.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial information. The significant accounting policies are set out in note 2. Other key sources of estimation uncertainty are as follows:

(a) Fair value of share-based compensation payments

As mentioned in note 29, the Group has granted shares options to its employees. The Group has used binomial option-pricing model to determine the total fair value of the options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the Group in applying the binomial option-pricing model.

(b) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. In assessing whether such unused tax losses can be utilised in the future, the Group needs to make judgments and estimates on the ability of each of the Group entities to generate taxable income in the future years. Based on current information available and the tax planning strategies, the Group considered there is uncertainty regarding whether the unused tax losses could be utilised before expiration for the entities which incurred losses in the past three years. Thus, the Group currently has not recognised any deferred tax assets resulting from operating loss and deductible temporary differences for those entities.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(c) Expected breakage on consumption-based revenue

For the consumption-based revenue, the Group expects to be entitled to breakage because the customers may not consume all the services within the contract period (normally one year). Breakage on consumption-based revenue is recognised based on the estimation of utilisation of services. This is estimated based on historical experience. Actual utilisation may be higher or lower than those estimated at the end of each reporting period, which would affect the revenue and profit recognised in current and future years. This estimation is made such that the revenue recognised from breakage on consumption-based revenue is not expected to result in a significant reversal of cumulative revenue in the future.

4 REVENUE

The principal activities of the Group are providing a variety of talent acquisition services to business customers and individual paying users.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Talent acquisition services to business customers	**1,431,285**	1,162,605
Professional career services to individual paying users	**79,967**	60,547
Revenue from other sources		
Rental income from investment property	**2,222**	2,156
	1,513,474	1,225,308

The Group's customer base is diversified. There was no customer with whom transactions have exceeded 10% of the Group's revenue in 2019.

The Group has one reportable segment, which is talent acquisition services.

The Group's operations, non-current assets and most of the customers are located in the PRC.

Accordingly, no geographic information is presented.

4 REVENUE (Continued)

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

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB678,460 thousand (2018: RMB636,992 thousand). This amount represents revenue expected to be recognised in the future from subscription service. The Group will recognise the expected revenue in future when the Group has no future obligation, which is expected to occur over the next 12 months.

(c) Total future minimum lease payments receivable by the Group

Total future minimum lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**1,240**	2,172
After 1 year but within 2 years	**—**	544
	1,240	2,716

5 OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Interest income from bank deposits	**89,437**	55,452
Investment income from wealth management products	**715**	1,833
Government grant	**26,733**	11,170
Fair value changes of other financial assets	**2,972**	—
Others	**210**	1,457
	120,067	69,912

6 PROFIT BEFORE TAXATION IS ARRIVED AT AFTER CHARGING

	2019 RMB'000	2018 RMB'000
(a) Staff costs		
Salaries, wages and other benefits	**833,898**	707,335
Contributions to defined contribution retirement plan *(note)*	**63,802**	57,169
Share-based compensation expenses *(note 29)*	**53,767**	48,336
	951,467	812,840

Note: **Defined contribution retirement plan**

As stipulated by the regulations of the PRC, the Group participates in a defined contribution retirement plan organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 13% to 20% of the salaries, bonuses and certain allowances of the employees during the years of 2019 and 2018. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

	2019 RMB'000	2018 RMB'000
(b) Other items		
Depreciation charge *(note 12)*		
— owned property, plant and equipment	**13,950**	12,329
— right-of-use assets	**39,831**	—
	53,781	12,329
Total minimum lease payments for leases previously classified as operating leases under IAS 17*	**—**	46,140
Amortisation of intangible assets *(note 13)*	**8,798**	2,192
Impairment losses of trade and other receivables *(note 32(a))*	**19,252**	12,528
Operating lease and property management charge	**20,178**	8,325
Share issuance cost	**—**	47,184
Auditors' remuneration — Audit service	**4,584**	2,500

* The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(c).

7 NET FINANCE INCOME

	2019 RMB'000	2018 (Note) RMB'000
Interest on bank loans and other borrowings	**(904)**	(1,758)
Interest on lease liabilities	**(4,818)**	—
Foreign currency exchange gain	**8,955**	19,407
Bank charges and other finance costs	**(1,338)**	(842)
	1,895	16,807

Note: The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss:

	Note	2019 RMB'000	2018 RMB'000
Current tax			
Provision for the year		**30,517**	7,446
Over-provision in respect of prior years		**(7,160)**	—
		23,357	7,446
Deferred tax			
Origination and reversal of temporary differences	30(b)	**(8,679)**	—
		14,678	7,446

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Note	2019 RMB'000	2018 RMB'000
Profit before taxation		**141,306**	10,189
Tax calculated at a tax rate of 25% (2018: 25%)	(i)	**35,326**	2,547
Effect of different tax rates		**(6,546)**	8,824
Tax effect of non-deductible expenses		**12,991**	8,830
Tax effect of non-taxable income		**(11,498)**	—
Tax effect of unused tax losses and other temporary differences not recognised		**7,624**	17,482
Utilisation of tax losses previously not recognised		**(16,059)**	(30,237)
Over-provision in respect of prior years		**(7,160)**	—
Actual tax expense		**14,678**	7,446

Note (i): The Group's PRC subsidiaries are subject to the PRC Corporate Income Tax Law ("**CIT Law**") and are taxed at the statutory income tax rate of 25%. The Group's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% of the assessable profits. The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

9 DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' emoluments

Details of directors' emoluments are as follows:

Year ended 31 December 2019

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Executive directors						
Mr. Dai Kebin	–	1,220	–	50	–	1,270
Mr. Chen Xingmao	–	1,192	–	50	–	1,242
Ms. Xu Lili	–	1,373	–	50	7,946	9,369
Non-executive directors						
Mr. Shao Yibo	–	–	–	–	–	–
Mr. Zuo Lingye	–	–	–	–	–	–
Mr. Ding Gordon Yi	–	–	–	–	–	–
Independent non-executive directors						
Mr. Ye Yaming	403	–	–	–	–	403
Mr. Zhang Ximeng	403	–	–	–	–	403
Mr. Choi Onward	403	–	–	–	–	403
Total	1,209	3,785	–	150	7,946	13,090

9 DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Year ended 31 December 2018

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Executive directors						
Mr. Dai Kebin	—	868	—	55	—	923
Mr. Chen Xingmao	—	1,146	—	55	—	1,201
Ms. Xu Lili	—	1,275	—	55	3,099	4,429
Non-executive directors						
Mr. Shao Yibo	—	—	—	—	—	—
Mr. Zuo Lingye	—	—	—	—	—	—
Mr. Ding Gordon Yi	—	—	—	—	—	—
Independent non-executive directors						
Mr. Ye Yaming	197	—	—	—	—	197
Mr. Zhang Ximeng	197	—	—	—	—	197
Mr. Choi Onward	197	—	—	—	—	197
Total	591	3,289	—	165	3,099	7,144

Note: Mr. Dai, Mr. Chen and Ms. Xu Lili were appointed as executive director of the Company on 30 January 2018, 23 March 2018 and 23 March 2018, respectively. All the executive directors are key management personnel of the Group and their remuneration disclosed above represents those for services rendered by them as key management personnel.

9 DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, 3 (2018: 2) are directors whose emolument is disclosed in Note 9 (a). The aggregate of the emoluments in respect of other 2 (2018: 3) individuals are as follows:

	2019	2018
	RMB'000	*RMB'000*
Salaries, bonuses and other emoluments	**2,610**	3,903
Share-based compensation expenses	**5,260**	9,725
Retirement scheme contributions	**99**	85
	7,969	13,713

The emoluments of the above individuals with the highest emoluments are within the following bands:

	2019 Number of Individuals	2018 Number of Individuals
HKD1,000,001 – HKD1,500,000	**—**	1
HKD3,000,001 – HKD3,500,000	**—**	1
HKD4,000,001 – HKD4,500,000	**1**	—
HKD4,500,001 – HKD5,000,000	**1**	—
HKD10,500,001 – HKD11,000,000	**—**	1

10 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	2019			2018		
	Before-tax amount ***RMB'000***	**Tax (expense)/ benefit** ***RMB'000***	**Net-of-tax amount** ***RMB'000***	Before-tax amount *RMB'000*	Tax (expense)/ benefit *RMB'000*	Net-of-tax amount *RMB'000*
Exchange differences on translation of the financial statements of overseas group entities	**46,114**	**—**	**46,114**	94,675	—	94,675
Other comprehensive income	**46,114**	**—**	**46,114**	94,675	—	94,675

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB120,353 thousand (2018: the profit of RMB7,737 thousand) and the weighted average number of 514,932 thousand ordinary shares in issue during the year (2018: 454,704 thousand ordinary shares in issue during the year), calculated as follows:

Weighted average number of ordinary shares

	2019 '000	2018 '000
Issued ordinary shares at 1 January	510,519	412,775
Effect of shares held for the RSU Scheme	(2,690)	—
Effect of shares repurchased	—	(3,986)
Effect of issuance of shares	—	44,603
Effect of share options exercised	7,103	1,312
Weighted average number of ordinary shares at 31 December	514,932	454,704

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB120,353 thousand (2018: the profit of RMB7,737 thousand) and the weighted average number of ordinary shares of 521,104 thousand shares (2018: 483,209 thousand ordinary shares in issue during the year), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2019 RMB'000	2018 RMB'000
Profit attributable to ordinary equity shareholders (basic and diluted)	120,353	7,737

(ii) Weighted average number of ordinary shares (diluted)

	2019 '000	2018 '000
Weighted average number of ordinary shares at 31 December	514,932	454,704
Effect of deemed issue of shares under the Company's share option scheme for consideration	6,172	28,505
Weighted average number of ordinary shares (diluted) at 31 December	521,104	483,209

12 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

	Properties leased for own use *RMB'000*	Buildings and structure *RMB'000*	Motor vehicles *RMB'000*	Office equipment and others *RMB'000*	Leasehold improvements *RMB'000*	Sub-total *RMB'000*	Investment properties *RMB'000*	Total *RMB'000*
Cost:								
At 1 January 2018	–	–	2,106	29,717	24,755	56,578	32,529	89,107
Additions	–	–	281	9,457	6,821	16,559	–	16,559
Disposals	–	–	–	(2,174)	–	(2,174)	–	(2,174)
At 31 December 2018	–	–	2,387	37,000	31,576	70,963	32,529	103,492
Impact on initial application of IFRS16 *(Note 2(c))*	98,019	–	–	–	–	98,019	–	98,019
At 1 January 2019	98,019	–	2,387	37,000	31,576	168,982	32,529	201,511
Additions	40,127	–	147	8,091	1,888	50,253	–	50,253
Business combination *(Note 34(c))*	4,720	8,880	1,225	343	684	15,852	9,459	25,311
Disposals	–	–	–	(1,198)	–	(1,198)	–	(1,198)
At 31 December 2019	**142,866**	**8,880**	**3,759**	**44,236**	**34,148**	**233,889**	**41,988**	**275,877**
Accumulated depreciation:								
At 1 January 2018	–	–	(823)	(19,455)	(13,686)	(33,964)	(3,433)	(37,397)
Charge for the year	–	–	(404)	(6,648)	(4,246)	(11,298)	(1,031)	(12,329)
Written back on disposal	–	–	–	2,050	–	2,050	–	2,050
At 31 December 2018	–	–	(1,227)	(24,053)	(17,932)	(43,212)	(4,464)	(47,676)
At 1 January 2019	–	–	(1,227)	(24,053)	(17,932)	(43,212)	(4,464)	(47,676)
Charge for the year	(39,831)	(49)	(635)	(7,136)	(5,051)	(52,702)	(1,079)	(53,781)
Written back on disposal	–	–	–	1,084	–	1,084	–	1,084
At 31 December 2019	**(39,831)**	**(49)**	**(1,862)**	**(30,105)**	**(22,983)**	**(94,830)**	**(5,543)**	**(100,373)**
Net book value:								
At 31 December 2019	**103,035**	**8,831**	**1,897**	**14,131**	**11,165**	**139,059**	**36,445**	**175,504**
At 31 December 2018	–	–	1,160	12,947	13,644	27,751	28,065	55,816

The Group leases the building under a leasehold interest to earn rental income. The fair value as at 31 December 2019 of the Group's investment properties was RMB44.5 million (2018: RMB49.9 million).

12 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (Continued)

(a) Reconciliation of carrying amount (Continued)

The fair value investment properties are categorised into Level 3 in the fair value hierarchy. The fair value amount is valued under market approach.

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

(b) Right-of-use assets

Right-of-use assets represent properties leased for own use and were carried at cost less accumulated depreciation and impairment.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets	**39,831**	—
Interest on lease liabilities *(note 7)*	**4,818**	—
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**10,358**	—
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**—**	46,140

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(c).

During the year, additions to right-of-use assets were RMB44,847 thousand. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in note 25(c) and note 28 respectively.

The Group has obtained the right to use other properties as its offices through tenancy agreements. The leases typically run for an initial period of 1 to 5 years.

12 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (Continued)

(b) Right-of-use assets (Continued)

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

	Lease liabilities recognised (discounted)	**Potential future lease payments under extension options not include in lease liabilities (undiscounted)**
Office buildings — in PRC	24,456	28,030

(c) Investment properties

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated.

Please see note 4(b) for the undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods.

13 INTANGIBLE ASSETS

	Customer relationships *RMB'000*	Trademarks *RMB'000*	Software and others *RMB'000*	Sub-total *RMB'000*	Capitalized development costs *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2018	—	—	13,431	13,431	—	13,431
Additions	—	—	1,367	1,367	5,447	6,814
Transfer to software	—	—	5,447	5,447	(5,447)	—
At 31 December 2018 and 1 January 2019	—	—	20,245	20,245	—	20,245
Additions	—	—	3,658	3,658	2,854	6,512
Business Combinations *(Note 34)*	94,400	79,700	7,831	181,931	—	181,931
Transfer to software	—	—	2,854	2,854	(2,854)	—
At 31 December 2019	94,400	79,700	34,588	208,688	—	208,688
Accumulated amortization:						
At 1 January 2018	—	—	(4,826)	(4,826)	—	(4,826)
Charge for the year	—	—	(2,192)	(2,192)	—	(2,192)
At 31 December 2018 and 1 January 2019	—	—	(7,018)	(7,018)	—	(7,018)
Charge for the year	(2,741)	(1,369)	(4,688)	(8,798)	—	(8,798)
At 31 December 2019	(2,741)	(1,369)	(11,706)	(15,816)	—	(15,816)
Net book value:						
At 31 December 2019	91,659	78,331	22,882	192,872	—	192,872
At 31 December 2018	—	—	13,227	13,227	—	13,227

The amortization charge for the year is included in "cost of revenue", "general and administrative expenses" and "research and development expenses" in the consolidated statement of profit or loss.

14 GOODWILL

	2019 RMB'000
Cost:	
At 1 January 2018 and 31 December 2018	—
Addition due to business combination *(note 34)*	711,184
At 31 December 2019	711,184
Accumulated impairment losses:	
At 1 January 2018, 31 December 2018 and 1 January 2019	
Impairment loss	—
At 31 December 2019	—
Carrying amount:	
At 31 December 2019	711,184
At 31 December 2018	—

For the purpose of impairment assessment, the goodwill of RMB49,160 thousand arising from the acquisition of Shanghai Xunhou Human Resources Co. Ltd. ("**Xunhou**"), has been allocated to the cash-generating unit (CGU) of human resource outsourcing business relating to the operation of Xunhou. The goodwill of RMB14,426 thousand arising from the acquisition of Liepin Kaipusi (Tianjin) Information Technology Co., Ltd. ("**Liepin Kaipusi**"), has been allocated to the CGU of campus recruitment business relating to the operation of Liepin Kaipusi. In addition, the goodwill of RMB647,598 thousand arising from the acquisition of Changsha Ranxing Information Technology Co., Ltd. ("**Changsha Ranxing**") has been allocated to the CGU of advertising business relating to the operation of Changsha Ranxing. As at 31 December 2019, the directors of the Company conducted reviews of the carrying values of above CGU containing the goodwill and determined that there is no impairment of the CGUs.

For goodwill attributable to each CGU, value in use was determined using discounted cash flows calculations which derived from the five-year financial projections plus a terminal value related to cash flows beyond the projection period extrapolated using an estimated terminal growth rate of not more than 3%. Management leveraged their experiences in the industries and provided forecast based on past performance and their anticipation of future business and market developments. Pre-tax discount rates ranging from 18.5% to 25% were applied in the discounted cash flows calculations, which reflected assessments of time value and the specific risks relating to the respective industries.

(Expressed in RMB unless otherwise indicated)

15 PREPAYMENTS FOR INVESTMENTS

It mainly includes the prepayments for investments of RMB23,969 thousand in Shanghai Gulu Software Co., Ltd. and RMB3,000 thousand in Shanghai HRflag Information Consulting Co., Ltd. As of 31 December 2019, the transactions have not closed yet, and the amount of deposits was recorded as prepayments for investments.

16 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

				Proportion of ownership interest				
Company name	*Note*	**Place of incorporation/ establishment**	**Paid up capital registered capital**	**Group's effective interest**	**Held by the Company**	**Held by the subsidiary**	**Type of business**	**Principal activities**
TD Elite (HK) Information Technology Co., Ltd. 同道精英(香港)信息技術有限公司		Hong Kong	1 ordinary share	100%	100%	—	—	Investing holding company
Wisest (Beijing) Management Consulting Co., Ltd. 萬仕道(北京)管理諮詢股份有限公司*	(i)	Beijing, PRC	RMB39,746,000	100%	—	100%	Equity joint ventures	Talent services
Liedao Information Technology Co., Ltd. 獵道信息技術有限公司*	(i)	Tianjin, PRC	RMB2,000,000/ RMB50,000,000	100%	—	100%	Limited liability company ("**LLC**")	Talent services
Tiancai Youdao (Tianjin) Information Technology Co., Limited 天才有道(天津)信息技術有限公司	(i)	Tianjin, PRC	USD10,000	100%	—	100%	Wholly foreign-owned enterprise	Talent services
INS Network (Beijing) Information Technology Co., Ltd. 英仕互聯(北京)信息技術有限公司*		Beijing, PRC	RMB323,154,922	100%	—	100%	LLC	Talent services
TD Information Technology Co., Ltd. 同道匯才(天津)信息技術有限公司*		Tianjin, PRC	RMB50,000,000	100%	—	100%	LLC	Talent services
TD Elite (Tianjin) Information Technology Co., Ltd. 同道精英(天津)信息技術有限公司*	(i)	Tianjin, PRC	RMB1,002,000/ RMB12,000,000	100%	—	100%	LLC	Talent services
CGL Consulting Co., Ltd 上海德築企業管理有限公司*		Shanghai, PRC	RMB4,081,630	51%	—	51%	LLC	Talent services

(Expressed in RMB unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (Continued)

				Proportion of ownership interest				
Company name	*Note*	Place of incorporation/ establishment	Paid up capital registered capital	Group's effective interest	Held by the Company	Held by the subsidiary	Type of business	Principal activities
Tongdaoyouxin (Tianjin) Information Technology Co., Ltd. 同道有薪(天津)信息技術有限公司*		Tianjin, PRC	RMB2,000,000/ RMB10,000,000	100%	—	100%	LLC	Talent services
Lieweilai (Tianjin) Investment Co., Ltd. 獵未來(天津)投資有限公司*		Tianjin, PRC	USD11,400,000/ USD30,000,000	100%	—	100%	LLC	Talent services
Shanghai Xunhou Human Resources Co., Ltd. ("**Xunhou**") 上海勛厚人力資源有限公司*		Shanghai, PRC	RMB4,491,987	65%	—	65%	LLC	Talent services
Liepin Kaipusi (Tianjin) Information Technology Co., Ltd. ("**Liepin Kaipusi**") 獵聘凱普斯(天津)信息技術有限公司*		Tianjin, PRC	RMB111,111/ RMB1,111,111	71%	—	71%	LLC	Talent services
Changsha Ranxing Information Technology Co., Ltd. ("**Changsha Ranxing**") 長沙冉星信息科技有限公司*	(i)	Changsha, PRC	RMB11,787,027	67%	—	67%	LLC	Talent services

* The official name of this entity is in Chinese. The English name is for identification purpose only.

Note:

(i) The Group does not legally have 100% ownership in equity of these structured entities. Nevertheless, under certain contractual agreements (the "**Contractual Agreements**") entered into with the registered owners of these structured entities, the Company and its other legally owned subsidiaries control these companies by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these companies to the Company and/or its other legally owned subsidiaries. As a result, they are presented as controlled structured entities of the Company.

All companies comprising the Group have adopted 31 December as their financial year end date.

17 INTERESTS IN ASSOCIATE

The following table sets out the particulars of the associate of the Group as at 31 December 2019, which is an unlisted corporate entity whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Registered capital	Held by the subsidiary	Principal activity
Beijing Qingsi Information Technology Co., Ltd. ("**Beijing Qingsi**")	Incorporated	The PRC	RMB1,000,000	30.00%	Human Resources

Aggregate information of associate that is not individually material:

	31 December 2019 ***RMB'000***	31 December 2018 *RMB'000*
Aggregate carrying amount of associate in the consolidated financial statements*		
— Beijing Qingsi	**1,509**	—
— Xunhou	**—**	18,444
	1,509	18,444

	2019 ***RMB'000***	2018 *RMB'000*
Aggregate amounts of the Group's share of associates' loss for the year	**(2,911)**	(960)
Total comprehensive income	**(2,911)**	(960)

* The balance of interest in associate as at 31 December 2018 include the investment in Xunhou, which becomes a subsidiary of the Group in 2019. Please see note 34(a) for further details.

18 OTHER FINANCIAL ASSETS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Unlisted equity securities designated at FVOCI (non-recycling)	8,700	7,700
Unlisted equity securities at FVPL	134,861	98,218
	143,561	105,918

19 OTHER NON-CURRENT ASSETS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Prepayments for non-current assets	2,413	2,775
Advertisement deposits	4,835	4,386
	7,248	7,161

20 CONTRACT LIABILITIES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Contract liabilities		
— Billings in advance of service	678,460	636,992

Under subscription-based model services, the Group normally receives all of the subscription service fee upfront, this will give rise to the contract liabilities at the start of each contract. Contract liabilities will be recognised as revenue upon the providing of services or on a straight-line basis over the contract period.

The contract liabilities balance as at 1 January 2019 and 2018 was all recognised as revenue in those years respectively. All the billings in advance of service at the end of the reporting period are expected to be recognised as revenue within one year.

21 TRADE RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade receivables — measured at amortised cost	68,239	36,019

All the trade receivables are expected to be recovered within one year.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for credit loss, is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 60 days	47,280	22,392
60 days to 1 year	16,824	11,566
Over 1 year	4,135	2,061
	68,239	36,019

Details on the Group's credit policy and credit risk arising from trade receivable are set out in note 32(a).

22 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Prepayments to suppliers	19,573	11,588
Other receivables	67,294	24,542
Interest receivable	28,804	35,987
	115,671	72,117

All of prepayments and other receivables are expected to be recovered or recognised as expense within one year.

23 OTHER CURRENT ASSETS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Rental deposits	14,535	15,080
VAT recoverable	12,826	13,624
Investment in wealth management products	109,504	50,414
	136,865	79,118

The wealth management products are issued by banks in the PRC with variable interest rate due within one year.

24 TIME DEPOSITS WITH BANKS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Time deposits with banks	2,227,592	2,587,426

Time deposits, which mature within one year as of the end of reporting period, represent interest-bearing certificates of deposit with a maturity of more than three months when purchased.

25 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Bank deposits with a maturity of three months or less	—	415,155
Demand deposits with banks	359,156	233,176
Cash and cash equivalents	359,156	648,331

25 CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Bank loans	Lease liabilities
	RMB'000	*RMB'000*
At 1 January 2018	—	—
Changes from financing cash flows:		
Proceeds from new bank loans	352,765	—
Repayment of bank loans	(352,765)	—
Borrowing costs paid	(1,758)	—
Total changes from financing cash flows	(1,758)	—
Other change:		
Interest expenses *(note 7)*	1,758	—
At 31 December 2018	—	—
Impact on initial application of IFRS 16	—	98,064
At 1 January 2019	—	98,064
Changes from financing cash flows:		
Proceeds from new bank loans	59,000	—
Borrowing costs paid	(806)	—
Capital element of lease rentals paid	—	(38,472)
Interest element of lease rentals paid	—	(4,818)
Total changes from financing cash flow	58,194	(43,290)
Other changes:		
Interest expenses *(note 7)*	904	4,818
Increase in lease liabilities from entering into new leases during the period	—	44,396
At 31 December 2019	59,098	103,988

25 CASH AND CASH EQUIVALENTS (Continued)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019 RMB'000	2018 *(Note)* RMB'000
Within operating cash flows	(12,255)	(55,657)
Within financing cash flows	(43,290)	—
	(55,545)	(55,657)

Note: The adoption of IFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019 RMB'000	2018 RMB'000
Lease rentals paid	(55,545)	(55,657)

26 TRADE AND OTHER PAYABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade payables to third parties	33,314	31,384
Salary and welfare payable	113,687	85,481
Other tax payables	17,586	12,920
Other payables	40,953	21,840
	205,540	151,625

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade payables to third parties, based on the invoice date is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 30 days	31,660	30,877
30 days to 1 year	1,654	507
	33,314	31,384

27 INTEREST-BEARING BORROWINGS

The Group got two bank loans with amount of RMB24 million due on 18 September 2020 and RMB35 million due on 7 October 2020, respectively. They are all unsecured and with fixed interest rate of 6% per annum.

28 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS16:

	At 31 December 2019		At 1 January 2019 *(Note)*		At 31 December 2018 *(Note)*	
	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*
Within 1 year	44,241	45,513	34,812	35,314	—	—
After 1 year but within 2 years	34,956	37,792	32,237	35,168	—	—
After 2 years but within 5 years	24,791	28,368	31,015	35,332	—	—
	59,747	66,160	63,252	70,500	—	—
	103,988	111,673	98,064	105,814	—	—
Less: total future interest expenses		(7,685)		(7,750)		—
Present value of lease liabilities		103,988		98,064		—

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17.

Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to IFRS 16 are set out in note 2(c).

(Expressed in RMB unless otherwise indicated)

29 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Share option scheme

The Group has a share option scheme which was adopted on 1 January 2012 whereby the directors of the Group are authorised, at their discretion, to invite employees of the Group, to take up options to subscribe for shares of the Group. The options vest after one to four years from the date of grant and are then exercisable within a period of ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(i) The number and weighted average exercise prices of share options are as follows:

	2019		2018	
	Weighted average exercise price ***RMB***	**Number of options**	Weighted average exercise price *RMB*	Number of options
Outstanding at the beginning of the period	**3.954**	**21,025,675**	0.186	24,592,342
Exercised during the period	**0.411**	**10,149,871**	0.184	14,959,836
Forfeited during the period	**4.510**	**2,562,996**	8.312	129,576
Granted during the period	**16.369**	**3,700,000**	8.011	11,522,745
Outstanding at the end of the period	**10.774**	**12,012,808**	3.954	21,025,675
Exercisable at the end of the period	**8.925**	**2,284,595**	0.184	9,832,451

The weighted average share price at the date of exercise for shares options exercised during the year was RMB20.73 (2018: RMB26.32).

(Expressed in RMB unless otherwise indicated)

29 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) Share option scheme (Continued)

(i) (Continued)

Terms of unexpired and unexercised share options at the end of the reporting period are as follows:

	2019		2018	
Exercise price	**Number of options**	**Weighted average remaining contractual life**	Number of options	Weighted average remaining contractual life
USD0.0268	**2,822,808**	**6.3 years**	13,989,875	6.3 years
USD1	**2,620,000**	**8.4 years**	3,899,800	9.4 years
USD2.5	**2,870,000**	**8.5 years**	3,136,000	9.5 years
HKD18.22	**1,250,000**	**9.9 years**	—	—
HKD18.30	**2,450,000**	**9.7 years**	—	—

(ii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted in 2019 is measured based on a binomial option-pricing model.

	2019 *RMB*
Fair value at measurement date	**6.96-6.84**
Share price	**16.32-16.39**
Exercise price	**16.32-16.39**
Expected volatility	**43.91%–45.59%**
Expected dividend yield	**0%**
Risk-free interest rate	**1.1%–1.6%**

(iii) Shares award granted by CGL Consulting Co., Ltd

On 22 December 2017, CGL Consulting Co., Ltd, a subsidiary of the Company, granted 49% of its equity to its founder with a fair value of RMB12 million. The share awards are vesting in tranches of 25% each per annum from the date of grate in arrears.

29 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) Restricted Share Unit Scheme

The post-IPO Restricted Share Unit Scheme (the "**RSU Scheme**") was approved and adopted by the Board on 25 January 2019. The purpose of the RSU Scheme is to reward employees for their service to the Group and to provide incentives to them to further contribute to the Group.

During the year ended 31 December 2019, 3,656,121 RSUs were granted and 223,003 RSUs were forfeited. The outstanding 3,433,118 RSUs as of 31 December 2019 will vest after two to four years from the date of grant. The fair value of the granted RSUs was determined based on the market price of the Company's shares at the respective grant date. The Group will transfer the relevant RSU to the eligible employees when they are vested. The weighted average fair value of awarded shares granted during the year ended 31 December 2019 was RMB16.94 per share.

30 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2019 *RMB'000*	2018 *RMB'000*
At 1 January	**7,442**	—
Business combination	**2,379**	—
Provision for PRC Income Tax the year *(note 8(a))*	**30,517**	7,446
Over-provision in respect of prior years *(note 8(a))*	**(6,841)**	(4)
PRC Income Tax paid	**(600)**	—
At 31 December	**32,897**	7,442

30 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities.

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Provision for impairment of assets *RMB'000*	Government subsidies that have not yet been received *RMB'000*	Depreciation charge of right-of-use assets *RMB'000*	Effect of lease liability *RMB'000*	Deemed disposal of associate *RMB'000*	Accumulated losses *RMB'000*	Fair value changes of FVOCI *RMB'000*	Intangible assets separately identified in business combination *RMB'000*	Fair value changes of property *RMB'000*	Total *RMB'000*
Deferred tax arising from:										
At 1 January 2019	–	–	–	–	–	–	–	–	–	–
Business combination	–	–	–	–	–	–	–	(26,375)	(427)	(26,802)
Charged/(credited) to profit or loss	4,034	(4,396)	26,648	(25,657)	(1,660)	8,967	–	740	3	8,679
Charged/(Credited) to retained profits	–	–	–	–	–	–	(1,239)	–	–	(1,239)
At 31 December 2019	**4,034**	**(4,396)**	**26,648**	**(25,657)**	**(1,660)**	**8,967**	**(1,239)**	**(25,635)**	**(424)**	**(19,362)**

(ii) Reconciliation to the consolidated statement of financial position

	31 December 2019 ***RMB'000***	31 December 2018 *RMB'000*
Net deferred tax asset recognised in the consolidated statement of financial position	**9,630**	—
Net deferred tax liability recognised in the consolidated statement of financial position	**(28,992)**	—
	(19,362)	—

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB350 million (2018: RMB330 million). The tax losses will expire from 2020 to 2029.

30 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

(d) Deferred tax liabilities not recognised

As at 31 December 2019, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB339,274 thousand (2018: RMB198,722 thousand). Deferred tax liabilities of RMB33,927 thousand (2018: RMB19,872 thousand) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

31 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000	Share premium RMB'000	Shares held for RSU scheme RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2018		—	—	—	—	—	—	—
Changes in equity for the period ended at 31 December 2018:								
Loss for the period		—	—	—	—	—	(32,463)	(32,463)
Other comprehensive income		—	—	—	—	152,741	—	152,741
Total comprehensive income		—	—	—	—	152,741	(32,463)	120,278
Capitalisation issuance	31(d)(iii)	263	302,928	—	—	—	—	303,191
Group reorganisation	31(d)(ii)	—	—	—	85,681	—	—	85,681
Issuance of shares for the initial public offering ("**IPO**"), net of issuance cost	31(d)(iv)	59	2,370,040	—	—	—	—	2,370,099
Shares issued under share option scheme		10	44,402	—	(41,632)	—	—	2,780
Share-based compensation expenses	6(a)/29/31(d)	—	—	—	40,732	—	—	40,732
Balance at 31 December 2018 and 1 January 2019		332	2,717,370	—	84,781	152,741	(32,463)	2,922,761

31 CAPITAL AND RESERVES (Continued)

(a) Movements in components of equity (Continued)

	Note	Share capital RMB'000	Share premium RMB'000	Shares held for RSU scheme RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Changes in equity for the period ended at 31 December 2019:								
Loss for the period		—	—	—	—	—	(3,083)	(3,083)
Other comprehensive income		—	—	—	—	57,291	—	57,291
Total comprehensive income		—	—	—	—	57,291	(3,083)	54,208
Shares held for the restricted share unit scheme of the Company (the "**RSU scheme**")	31(c)	—	—	(87,436)	—	—	—	(87,436)
Shares issued under share option scheme		7	38,514	—	(34,349)	—	—	4,172
Share-based compensation expenses	6(a)/29/31(d)	—	—	—	53,767	—	—	53,767
Balance at 31 December 2019		339	2,755,884	(87,436)	104,199	210,032	(35,546)	2,947,472

(b) Dividends

The board of directors of the Company has resolved not to declare dividend for the year ended 31 December 2019 (2018: nil).

31 CAPITAL AND RESERVES (Continued)

(c) Shares held for RSU Scheme

Pursuant to a resolution passed by the Board on 25 January 2019, the Company entered into a trust deed with Vistra Trust (Hong Kong) Limited (the "**RSU Trustee**") to assist with the administration of the RSU Scheme. In February 2019 and July 2019, the Company directed Futureshare Limited, the special purpose vehicle established by the RSU Trustee, which was intended to hold the shares under the RSU Scheme, to purchase the shares of the Company for the benefit of the eligible participants pursuant to the terms and conditions of the RSU Scheme. The details of which are set out below:

Month/year	Number of shares purchased	Highest price paid per share *RMB*	Lowest price paid per share *RMB*	Aggregate price paid *RMB'000*
February 2019	1,000,000	18.78	18.78	18,781
July 2019	4,000,000	17.16	17.16	68,655

(d) Share capital

Issued share capital

	Note	2019 No. of shares '000	2019 RMB'000	2018 No. of shares '000	2018 RMB'000
Ordinary shares, issued and fully paid:					
At 1 January		510,519	332	31,785	31,785
Repurchase of own shares	(i)	—	—	(402)	(402)
Group reorganisation	(ii)	—	—	(31,383)	(31,383)
Capitalisation issuance	(iii)	—	—	407,559	263
Issuance of shares for the initial public offering ("**IPO**")	(iv)	—	—	88,000	59
Shares issued under share option scheme	(v)	10,150	7	14,960	10
At 31 December		520,669	339	510,519	332

31 CAPITAL AND RESERVES (Continued)

(d) Share capital (Continued)

Issued share capital (Continued)

(i) Purchase of own shares

In 2018, the Company repurchased the shares held by Ningbo Xinshi Online Finance Equity Investment Partnership (Limited Partnership) and Tibet Lingsheng Capital Investment Management Co., Ltd. in the amount of RMB72,645 thousand and RMB6,500 thousand, respectively, representing 1.2% and 0.1% of shares, respectively. The shares of Ningbo Xinshi Online Finance Equity Investment Partnership (Limited Partnership) were repurchased by settling the balance of receivables from a shareholder of RMB62,638 thousand as at 31 December 2017, and a cash payment of RMB10,007 thousand in 2018.

(ii) Group reorganisation

The amount arose from the acquisition of equity interest in the Wisest by TD Elite (HK) Information Technology Co., Ltd. during the Group reorganisation.

(iii) Capitalisation issuance

In 2018, the directors were authorised to allot and issue a total of 407,559,464 shares with nominal value of USD0.0001 each, with RMB263 thousand and RMB1,055,342 thousand recorded in share capital and share premium, respectively.

(iv) Issuance of shares for the initial public offering

On 29 June 2018, 88,000,000 new shares with nominal value of USD0.0001 each were issued at a price of HKD33 per share by way of initial public offering. The total proceeds less the issuance costs directly attributable to the issue of shares, amount to HKD2,810,787 thousand (equivalent to RMB2,370,099 thousand), with HKD69 thousand (equivalent to RMB59 thousand) and HKD2,810,718 thousand (equivalent to RMB2,370,040 thousand) recorded in share capital and share premium, respectively. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountants' fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB78,264 thousand were treated as a deduction against the share premium arising from the issuance.

(v) Equity settled share-based transactions

The Group has a share option scheme which was adopted on 1 January 2012 whereby the directors of the Group are authorised, at their discretion, to invite employees of the Group, to take up options to subscribe for shares of the Group. The options vest after one to four years from the date of grant and are then exercisable within a period of ten years. The options granted to certain employees are only exercisable upon the completion of Company's IPO, which was completed on 29 June 2018. In 2019, certain options were exercised to subscribe for 10,149,871 ordinary shares with nominal value of USD0.0001 each. The total consideration was RMB4,172 thousand, among which RMB7 thousand of which was credited to share capital and RMB4,165 thousand was credited to share premium.

31 CAPITAL AND RESERVES (Continued)

(e) Nature and purpose of reserves

(i) Capital reserve

The capital reserve comprises the following:

— The portion of the grant date fair value of share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(s)(ii);

— Deemed distribution arising from reorganisation in 2018.

(ii) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than the RMB which are dealt with in accordance with the accounting policies as set out in note 2(w).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2019 was 26.48% (2018: 21.97%).

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused a significant increase in the Group's total debt and hence the Group's adjusted net debt-to-capital ratio rose from 21.97% to 23.95% on 1 January 2019 when compared to its position as at 31 December 2018.

Considering the impact of the application of IFRS 16, during 2019, the Group reassessed the range at which it maintains its liability-to-asset ratio to be 24.60% to 26.48% (2018: 21.97% to 23.95%).

31 CAPITAL AND RESERVES (Continued)

(f) Capital management (Continued)

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to IFRS 16 was as follows:

	31 December 2019	1 January 2019 *(Note)*	31 December 2018 *(Note)*
	RMB'000	*RMB'000*	*RMB'000*
Current assets	**2,918,514**	3,419,490	3,423,011
Non-current assets	**1,268,627**	298,585	200,566
Total assets	**4,187,141**	3,718,075	3,623,577
Current liabilities	**1,020,138**	827,305	796,069
Non-current liabilities	**88,739**	63,252	—
Total liabilities	**1,108,877**	890,557	796,069
Liability-to-asset ration	**26.48%**	23.95%	21.97%

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See note 2(c).

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bank deposits are limited because the counterparties are reputable banks, for which the Group considers to have low credit risk. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group does not provide any other guarantees which would expose the Group to credit risk.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The Group does not have significant concentration of debtors as of 31 December 2019 and 2018.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 30–60 days from the date of invoice. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at 31 December 2019:

	2019		
	Expected loss rate %	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Current (not past due)	0.50%	47,518	(238)
1–305 days past due	8.00%	18,287	(1,463)
More than 305 days past due	90.00%	41,352	(37,217)
		107,157	(38,918)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

	2018		
	Expected loss rate %	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Current (not past due)	0.50%	22,505	(113)
1–305 days past due	8.00%	12,572	(1,006)
More than 305 days past due	90.00%	20,608	(18,547)
		55,685	(19,666)

Expected loss rates are based on actual loss experience over past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and other receivables during the year is as follows:

	2019 *RMB'000*	2018 *RMB'000*
Balance at 1 January	**19,666**	7,138
Credit losses recognised during the year	**19,252**	12,528
Balance at 31 December	**38,918**	19,666

Increase in aging of trade receivables resulted in an increase in loss allowance during 2019.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual) and the earliest date the Group can be required to pay:

	2019 Contractual undiscounted cash outflows				
	With 1 year or on demand *RMB'000*	More than one year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	Total *RMB'000*	Carrying amount at 31 Dec *RMB'000*
Trade and other payables	205,540	—	—	205,540	205,540
Interest-bearing borrowings	61,736	—	—	61,736	59,000
Lease liabilities	45,513	37,792	28,368	111,673	103,988
	312,789	37,792	28,368	378,949	368,528

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to IFRS 16 are set out in note 2(c). The undiscounted contractual cash outflows of the Group's non-derivative financial liabilities, which are trade and other payables, at 31 December 2018 equal to their carrying values and the earliest date the Group can be required to pay is within one year or on demand.

(c) Currency risk

The Group is exposed to currency risk primarily through deposit on bank which gives rise to cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of deposits denominated in foreign currencies, the Group ensures that the exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Currency risk (Continued)

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rates at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	2019 United States Dollars	2018 United States Dollars
Cash and cash equivalents	17,536	7,781
Time deposits with banks	518,680	428,881
Other receivables	7,351	—
Gross exposure arising from recognised assets and liabilities	543,567	436,662

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's results after tax and retained profits/(accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2019		2018	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits RMB'000
USD	10%	41,012	10%	37,805
	(10%)	(41,012)	(10%)	(43,663)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' results after tax and retained profits/(accumulated loss) measured in the respective functional currencies, translated into RMB at the exchange rates ruling at the end of the reporting period for presentation purposes.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Currency risk (Continued)

(iii) Sensitivity analysis (Continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

(d) Fair value measurement

Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

— level 3 valuations: Fair value measured using significant unobservable inputs

The fair value measurements of the Group's investments in wealth management products are categorised into Level 2, unlisted equity securities are categorised into Level 3 in the fair value hierarchy. Valuation reports with analysis of changes in fair value measurement is prepared for material equity security investments and is reviewed and approved by the chief financial officer.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Fair value measurement (Continued)

Financial assets measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value measurements as at 31 December 2019 categorised into				Fair value measurements as at 31 December 2018 categorised into			
	Fair value at 31 December 2019	Level 1	Level 2	Level 3	Fair value at 31 December 2018	Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements								
Assets:								
— Investment in wealth management products *(note 23)*	109,504	–	109,504	–	50,414	–	50,414	–
— Unlisted equity securities *(note 18)*	143,561	–	–	143,561	105,918	–	–	105,918

During the years of 2018 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Investments in wealth management products are measured at fair values in the consolidated statement of financial position. The Group categorised all fair value measures of bank financial products as Level 2 of the fair value hierarchy because they are valued using directly or indirectly observable inputs in the market place.

Information about Level 3 fair value measurements:

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Unlisted equity securities	Market approach/ Income approach	Discount for lack of marketability	15% to 16%	15%

The fair value of unlisted equity securities is determined using the total equity value of unlisted equity securities adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2019, it is estimated that with all other variables held constant, a discount for lack of marketability by 1% would have decreased the total equity value by RMB2,900 thousand.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Fair value measurement (Continued)

Financial assets measured at fair value (Continued)

Fair value hierarchy (Continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2019	2018
	RMB'000	*RMB'000*
Unlisted equity securities:		
At 1 January	**105,918**	6,200
Purchase consideration	**29,000**	99,072
Exchange differences	**712**	646
Gain on fair value changes	**7,931**	—
At 31 December	**143,561**	105,918

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in note 9(a) and certain of the highest five paid employees as disclosed in note 9(b) is as follows:

	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**3,785**	6,770
Contributions to defined contribution retirement	**150**	258
Share-based compensation expenses	**7,946**	12,825
	11,881	19,853

Total remuneration is included in "staff costs" (see note 6(a)).

33 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Financing arrangements

	Note	Amounts owed to the Group by related parties As at 31December		Amounts owed by the Group to related parties As at 31December	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Loan to members of key management personnel	(i)	2,991	—	—	—
Loans to investment company	(ii)	8,000	—	—	—
Other receivable proceeds from shares issued under share option	(iii)	2,797	2,752	—	—

(i) The Group made the loans to Mr. Chen Xingmao in accordance with the Executive Loan Benefits Program, with an annual interest rate of 2%, mortgaged by his real estate. The term of loan was from 31 May 2019 to 30 May 2020.

(ii) The Group and Hebei Lepin Human Resources Service Co., Ltd. ("**Hebei Lepin**") entered into loan agreements dated 3 June 2019 and 24 July 2019, respectively, pursuant to which the Group agreed to provide loans of RMB5 million and RMB3 million to Hebei Lepin, respectively. The term of each loan is one year. The loans were unsecured with interest rate 0% per annum.

(iii) The outstanding balances with these related parties are included in "Prepayments and other receivables" (see note 22).

34 BUSINESS COMBINATION

The Group completed three business acquisitions in 2019.

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Property and investment property	Market comparison technique: The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

(Expressed in RMB unless otherwise indicated)

34 BUSINESS COMBINATION (Continued)

Assets acquired	Valuation technique
Intangible assets	Relief-from-royalty method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned. Multi-period excess earnings method: The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets. Cost method: The cost method considers value is established based on the cost of reproducing or replacing the asset. The cost components involved are the actual cost and opportunity cost incurred.

The gross amount due under the contracts is RMB47,938 thousand, of which RMB2,817 thousand is expected to be uncollectible at the date of acquisition. Please see the details below for each business acquisition.

(a) Xunhou

Xunhou was previously an associate of the Group, and provides human resource outsourcing ("**HRO**") service. On 30 April 2019, the Group entered into an equity transfer agreement with Mr. Zhu Ting, the founder of Xunhou, and the other shareholders of Xunhou, pursuant to which the Group obtained 21.84% of the equity interest with a cash consideration of RMB30.8 million. The Group also additionally invested RMB10.0 million to Xunhou on 30 April 2019. As a result, the Group held 64.81% of the equity interest of Xunhou, and obtained the control of Xunhou. The transaction was accounted for as a business combination and deemed disposal of an associate, and the acquisition date is 30 April 2019. The Group expects the acquisition of Xunhou to further increase its market share in HRO business. Additionally, pursuant to the equity transfer agreement, Mr. Zhu Ting would require the Group to purchase additional 5% or 10% equity interest at the fair value, if certain conditions are met. As at 31 December 2019, the conditions were not met and therefore the put option was expired.

The fair value of the Group's investment in Xunhou upon the acquisition date is RMB26 million. The excess of the fair value over the carrying amount, amounting to RMB10.5 million, was recognised as the gain from deemed disposal of associate of in the consolidated statement of profit or loss.

Goodwill of approximately RMB49,160 thousand was recognised as a result of this acquisition. It was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill is expected to be deductible for income tax purpose. The Group chose to measure the non-controlling equity interests in Xunhou at their proportionate share of net assets acquired as at the acquisition date.

34 BUSINESS COMBINATION (Continued)

(a) Xunhou (Continued)

The following table summarises the purchase consideration, fair value of assets acquired, liabilities assumed and the non-controlling interest recognised as at the acquisition date:

Consideration	At 30 April 2019 RMB'000
Cash consideration	40,760
Fair value of Xunhou's equity interest previously held by the Group	26,046
	66,806

Recognised amounts of identifiable assets acquired and liabilities assumed	RMB'000
Property, plant and equipment	2,802
Intangible assets	9,000
Cash and cash equivalents	10,429
Current assets excluding cash and cash equivalents	11,630
Current liabilities	(2,382)
Non-current liabilities excluding deferred tax liability	(2,002)
Deferred tax liability	(2,250)
Total identifiable net assets	27,227
Non-controlling interests in Xunhou	(9,581)
Goodwill	49,160
	66,806

34 BUSINESS COMBINATION (Continued)

(a) Xunhou (Continued)

Net cash outflows arising on the acquisition of Xunhou for the year:

	RMB'000
Consideration paid in cash to founder and other investors	29,760
Add: capital injection in cash to Xunhou before the acquisition date	5,000
Less: cash and cash equivalent balances acquired	(10,429)
	24,331

For the period from the acquisition date through 31 December 2019, Xunhou contributed RMB14,871 thousand and RMB10,023 thousand to the Group's revenue and loss, respectively.

Had the acquisition been completed on 1 January 2019, the Group's pro forma combined revenue and pro forma combined profits for the year ended 31 December 2019 would have been RMB1,520,256 thousand and RMB118,820 thousand, respectively. These pro forma combined figures are for inclusion in these financial statements and for illustrative purpose only. Because of their nature, these pro forma combined figures may not give a true picture of the financial position or results of the combined Group that would have occurred had the acquisition actually been completed at the commencement of the reporting period, nor is intended to be a projection of the future prospects of the combined Group.

(b) Liepin Kaipusi

In May 2019, the Group entered into an agreement with the owners of Beijing Kaipusi Consulting Service Co., Ltd (北京凱普斯諮詢服務有限公司) ("**Beijing Kaipusi**") to acquire its business. Beijing Kaipusi is primarily engaged in providing campus recruitment related services. To facilitate the transaction, Beijing Kaipusi agreed to transfer all of its business to Liepin Kaipusi, a newly established company. The Group paid RMB10 million in cash to the shareholder of Beijing Kaipusi, and additionally invested RMB12.5 million to Liepin Kaipusi. As a result, the Group held 71.2% of the equity interest of Liepin Kaipusi, and obtained the control of Liepin Kaipusi. The transaction was accounted for as a business combination and the acquisition was completed on 31 May 2019. Additionally, pursuant to the agreement, the funder of Beijing Kaipusi would require the Group to purchase additional 5% or 10% equity interest, if certain conditions are met. As at 31 December 2019, the conditions were not met and therefore the put option was expired.

Goodwill of approximately RMB14,426 thousand was recognised as a result of this acquisition. It was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill is expected to be deductible for income tax purpose. The Group chose to record the non-controlling equity interests in Liepin Kaipusi at their proportionate share of net assets acquired as at the acquisition date.

34 BUSINESS COMBINATION (Continued)

(b) Liepin Kaipusi (Continued)

The following table summarises the purchase consideration, fair value of assets acquired, liabilities assumed and the non-controlling interest recognised as at the acquisition date:

Consideration	**At 31 May 2019** *RMB'000*
Cash	22,510
Total consideration	22,510

Recognised amounts of identifiable assets acquired and liabilities assumed	*RMB'000*
Property, plant and equipment	2,747
Intangible assets	3,100
Current assets	13,000
Current liability	(4,000)
Non-current liabilities excluding deferred tax liability	(2,718)
Deferred tax liability	(775)
Total identifiable net assets	11,354
Non-controlling interests in Liepin Kaipusi	(3,270)
Goodwill	14,426
	22,510

Net cash outflows arising on the acquisition of Liepin Kaipusi for the year:

	RMB'000
Consideration paid in cash to other investors	6,000
	6,000

For the period from the acquisition date through 31 December 2019, Liepin Kaipusi contributed RMB45,218 thousand and RMB1,883 thousand to the Group's revenue and profit, respectively.

34 BUSINESS COMBINATION (Continued)

(b) Liepin Kaipusi (Continued)

Had the acquisition been completed on 1 January 2019, the Group's pro forma combined revenue and pro forma combined profits for the year ended 31 December 2019 would have been RMB1,520,558 thousand and RMB126,079 thousand respectively. These pro forma combined figures are for inclusion in these financial statements and for illustrative purpose only. Because of their nature, these pro forma combined figures may not give a true picture of the financial position or results of the combined Group that would have occurred had the acquisition actually been completed at the commencement of the reporting period, nor is intended to be a projection of the future prospects of the combined Group.

(c) Changsha Ranxing

On 25 November 2019, the Group entered into an equity transfer agreement with Mr. Hu Xiao, Mr. Wu Yong, and Mr. Yao Leiming, the founders of Changsha Ranxing, and Chengwei Evergreen Capital, L.P., pursuant to which the Group agreed to subscribe 66.60% of the total equity interest in the offshore holding company established in the Cayman Islands to control Changsha Ranxing, for a total cash consideration of RMB827.0 million. Pursuant to the agreement, the founders of Changsha Ranxing agreed that RMB200 million consideration shall be used to purchase 11,674,209 outstanding shares of the Company at HK$19.0, i.e. the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the 30 trading days immediately preceding 27 November 2019. The transaction was accounted for as a business combination and the acquisition was completed on 27 November 2019.

Goodwill of approximately RMB647,598 thousand was recognised as a result of this acquisition. It was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill is expected to be deductible for income tax purpose. The Group chose to record the non-controlling equity interests in Changsha Ranxing at their proportionate share of net assets acquired as at the acquisition date.

The following table summarises the purchase consideration, fair value of assets acquired, liabilities assumed and the non-controlling interest recognised as at the acquisition date:

Consideration	**At 27 November 2019** *RMB'000*
Cash	826,960
Total consideration transferred	826,960

34 BUSINESS COMBINATION (Continued)

(c) Changsha Ranxing (Continued)

Recognised amounts of identifiable assets acquired and liabilities assumed	RMB'000
Property, plant and equipment	10,303
Intangible assets	169,831
Investment property	9,459
Interests in associate	1,500
Cash and cash equivalents	22,070
Current assets excluding cash and cash equivalents	115,108
Contract liabilities	(35,182)
Deferred tax liability	(23,777)
Total identifiable net assets	269,312
Non-controlling interests in Changsha Ranxing	(89,950)
Goodwill	647,598
	826,960

Net cash outflows arising on the acquisition of Changsha Ranxing for the year:

	RMB'000
Consideration paid in cash	826,960
Less: cash and cash equivalent balances acquired	(22,070)
	804,890

For the period from the acquisition date through 31 December 2019, Changsha Ranxing contributed RMB17,615 thousand and RMB15,004 thousand to the Group's revenue and profit, respectively.

Had the acquisition been completed on 1 January 2019, the Group's pro forma combined revenue and pro forma combined profits for the year ended 31 December 2019 would have been RMB1,646,987 thousand and RMB141,916 thousand respectively. These pro forma combined figures are for inclusion in these financial statements and for illustrative purpose only. Because of their nature, these pro forma combined figures may not give a true picture of the financial position or results of the combined Group that would have occurred had the acquisition actually been completed at the commencement of the reporting period, nor is intended to be a projection of the future prospects of the combined Group.

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2019 RMB'000	31 December 2018 (Note) RMB'000
Non-current assets		
Investments in subsidiaries	2,896,406	2,746,740
Other financial assets	46,922	43,238
	2,943,328	2,789,978
Current assets		
Prepayments and other receivables	1,741	—
Cash and cash equivalents	11,471	135,465
	13,212	135,465
Current liability		
Trade and other payables	9,068	2,682
	9,068	2,682
Net current assets	4,144	132,783
Total assets less current liability	2,947,472	2,922,761
NET ASSETS	2,947,472	2,922,761
Share capital	339	332
Reserves	2,947,133	2,922,429
TOTAL EQUITY	2,947,472	2,922,761

Approved and authorised for issue by the board of directors on 19 March 2020.

Dai Kebin)
Xu Lili) Directors

Note:

The Company has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

36 COMMITMENTS

(a) The Group has no capital commitment outstanding at 31 December 2019 and 2018 not provided for in the financial statements.

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018
	RMB'000
Within 1 year	40,825
After 1 year but within 5 years	74,778
	115,603

The Group is the lessee in respect of a number of properties and laptops held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2(l), and the details regarding the Group's future lease payments are disclosed in note 28.

37 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Coronavirus ("**COVID-19**") outbreak since early 2020 brought about additional uncertainties in the Group's operating environment. The directors of the Group has assessed the overall impact of the situation on the operation of the Group, been closely monitoring the impact of the developments on the Group's businesses and put in places all possible contingent measures to limit and keep the impact in control. The Group will keep the contingency measures under review as the COVID-19 Outbreak situation evolves.

A decline in revenue and profit from operations are expected as compared to the same period in 2019, driven by the impact from the outbreak. Those impact will be reflected in the financial information for the year ending 31 December 2020, and the actual impact may differ from estimates as the COVID-19 outbreak situation continues to evolve, when further information may become available.

(Expressed in RMB unless otherwise indicated)

38 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, Definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8, Definition of material	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Location	Exiting Use	Lease term	Attributable interest of the Group
8/F, Block 2, Zhubang 2000 Business Building, No. 99 Balizhuangxili Road Sub-District Office (Township), Chaoyang District (County), Beijing	Commercial	Medium lease	100%
Room 503, Building 7, Phase I, Zhongdian Software Park, No.39 Jianshan Road, Yuemi District, Changsha, Hunan Province	Commercial	Short-term lease	66.60%

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial information and financial statements is set out below.

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	**1,513,474**	1,225,308	824,662	587,099	345,608
Profit/(loss) from operations	**131,800**	(5,658)	35,256	(143,908)	(238,746)
Net finance (cost)/income	**1,895**	16,807	(27,705)	4,180	8,030
Profit/(loss) before tax	**141,306**	10,189	7,551	(139,728)	(230,716)
Income tax expense	**(14,678)**	(7,446)	—	—	—
Profit/(loss) for the year and total comprehensive income	**126,628**	2,743	7,551	(139,728)	(230,716)
Total comprehensive income for the year attributable to:					
Owners of the Company	**120,353**	7,737	8,998	(139,179)	(230,716)
Non-controlling interests	**6,275**	(4,994)	(1,447)	(549)	—
	126,628	2,743	7,551	(139,728)	(230,716)
ASSETS, LIABILITIES AND EQUITY					
Total assets	**4,187,141**	3,623,577	942,411	773,677	320,793
Total liabilities	**1,108,877**	(796,059)	(554,009)	(709,591)	(499,863)
Net assets/(liabilities)	**3,078,264**	2,827,518	388,402	64,086	(179,070)
Equity attributable to the equity holders of the Company	**2,969,385**	2,828,695	384,585	64,135	(179,070)
Non-controlling interests	**108,879**	(1,177)	3,817	(49)	—
Total equity	**3,078,264**	2,827,518	388,402	64,086	(179,070)