Duiba Group

兑吧集团有限公司

Duiba Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1753

Annual Report 2019

CONTENTS

COMPANY PROFILE

Duiba Group Limited (the "**Company**" or "**Duiba**") was incorporated in the Cayman Islands in February 2018. It became listed on the Main Board of the Stock Exchange (stock code: 01753.HK) in May 2019 and headquartered in Hangzhou, the PRC. The mission of the Company and its subsidiaries (collectively, the "**Group**") is to become the preferred business partner of enterprises in their operations through providing them with full-cycle services in user acquisition, retention and monetisation.

The Group launched user management SaaS platform in 2014 and interactive advertising platform in 2015. It is the leading user management SaaS provider and interactive advertising platform operator in China.

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Xiaoliang *(Chairman of the Board and Chief Executive Officer)*
Mr. Zhu Jiangbo
Ms. Chen Ting
Mr. Cheng Peng

Non-executive Directors

Mr. Huang Tao
Mr. William Peng

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. Chen Xiaoliang
Ms. Ng Ka Man

JOINT COMPANY SECRETARIES

Mr. Wang Saibin
Ms. Ng Ka Man

LEGAL ADVISERS

As to Hong Kong law:

Allen & Overy
9/F, Three Exchange Square
Central
Hong Kong

As to Cayman Islands law:

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

AUDITORS

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

COMPLIANCE ADVISER

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

CORPORATE INFORMATION

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 702, Shuyu Building
98 Wenyi West Road
Xihu District
Hangzhou
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANK

Hua Xia Bank (Hi-tech Branch)
123, Wenyi Road
Xihu District
Hangzhou
PRC

COMPANY'S WEBSITE

http://www.duiba.cn/

STOCK CODE

1753

DATE OF LISTING

7 May 2019

2019 is a year when the PRC's economy and the Internet industry faced many challenges, as well as an important starting point of a new long march for Duiba. We completed the listing on the Main Board of the Stock Exchange after five years of development and continued to see rapid growth in 2019, with a year-on-year increase of 45.3% and 65.7% in the Group's revenue and adjusted net profit respectively.

With our excellent innovation ability, we have continuously achieved good results of operations since we created the interactive advertising mode in 2016. In 2019, our interactive advertising platform provided traffic monetization services for 6,929 media channels, including more than 40 domestic top 100 Apps; meanwhile, it provided performance-based advertising placement services to 4,015 ultimate advertisers, extensively covering leading enterprises in e-commerce, finance, application and other mainstream industries in the PRC.

Since the start of our business in 2014, we have been taking SaaS as our main business line. Through the development of business on a free basis for nearly five years, our user management SaaS served over 16,000 customers. In 2018, we began to explore commercialization. After more than one year of effort, revenue from our user management SaaS business increased significantly by 146.4% to RMB33.7million (2018: RMB13.7 million). As at 31 December 2019, paying customers which used our charged user management SaaS services increased to 645 (2018: 373), representing a growth of 72.9%. Meanwhile, the average charge per customer increased by 157.7% to approximately RMB 67,000 (2018: RMB 26,000), the business indicators mentioned above had achieved multiple-fold growth in 2019.

Compared with the start of our business, we have a better understanding of the market, the needs of our customers and the development of our organization. However, we are fully aware that Duiba is still at a very early stage and our business is far from strong. Only by continuous learning and practice and making efforts to create new and greater value for our customers can we truly establish our core competitiveness and market-leading position. We deeply realize that "understanding customers' needs and creating value for customers" is the only way to realize our corporate value, as well as the first principle of our corporate values.

In the past 20 years, the consumer Internet in the PRC has seen unprecedented development, with better satisfaction of the needs of consumers in all aspects, contributing to the success of excellent internet companies such as Alibaba, Tencent, Meituan and ByteDance. The next 20 years will be an era of industrial Internet, when the needs of many enterprises will be better met by innovative products and services. Our vision is to become a company which can represent the industry in the industrial Internet era in the next five to ten years, and truly help enterprises improve their efficiency through our products and services. We deeply understand that "right direction", "long-term perspective" and "persistence" are required for achieving a great cause. Duiba is a very young company with a team full of enthusiasm. Despite many challenges faced in the past years, we have braved difficulties and have achieved good growth in overcoming them. For the future, with an awesome and humble state of mind, we believe that distance and roughness will not frighten us so long as we are on the right track.

Finally, on behalf of the Company, I would like to thank all customers for their trust, all employees for their unremitting efforts, and shareholders and investors for their support and encouragement.

Chen Xiaoliang
Chairman
Hangzhou, PRC, 30 March 2020

FINANCIAL AND OPERATIONAL DATA HIGHLIGHTS

FOUR-YEAR FINANCIAL SUMMARY

	Year ended 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,651,636**	1,137,032	645,792	51,138
Gross profit	**567,498**	428,913	242,026	40,036
Profit/(loss) before tax	**(209,366)**	(299,078)	98,363	(89,672)
Profit/(loss) for the year	**(199,804)**	(291,582)	98,108	(87,439)
Adjusted profit for the year	**339,981**	205,217	118,704	(2,891)

	Year ended 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	**31,880**	22,680	7,432	5,569
Total current assets	**1,564,377**	869,270	356,041	66,059
Total current liabilities	**234,573**	172,309	210,804	37,641
Total non-current liabilities	**1,117**	1,151,639	144,680	126,097
Total equity/(net deficiency in assets)	**1,360,567**	(431,998)	7,989	(92,110)

FINANCIAL DATA HIGHLIGHT

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue		
User management SaaS platform business	**33,655**	13,661
Interactive advertising business	**1,617,843**	1,110,108
Others	**138**	13,263
Total	**1,651,636**	1,137,032

For the year ended 31 December 2019, our revenue increased by 45.3% as compared with 2018.

NON-HKFRS MEASURE

To supplement our consolidated financial statements which are presented in accordance with HKFRSs, we also use a non-HKFRS measure, adjusted profit/(loss) for the year, as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that such non-HKFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that we do not consider to be indicative of our operating performance. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

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

	For the year end 31 December	
	2019	2018
	RMB'000	RMB'000
Loss for the year	**(199,804)**	(291,582)
Add:		
Share-based payment	**28,769**	12,247
Listing expenses	**35,226**	25,188
Changes in fair value of financial liabilities at fair value through profit or loss	**475,790**	453,592
Finance costs[1]	**–**	5,772
Adjusted profit for the year[2]	**339,981**	205,217

[1] For the year ended 31 December 2018, the finance costs represented dividends the Company paid to the holders of its redeemable preference shares. Such expenses did not recur after the conversion of the redeemable preference shares into ordinary shares which took place immediately before the listing of the Shares on the Stock Exchange.

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

FINANCIAL AND OPERATIONAL DATA HIGHLIGHTS

OPERATIONAL DATA HIGHLIGHTS

The Group is a user management SaaS provider for online businesses and a leading interactive advertising platform operator in the PRC. The Group's key operational data are as follows:

USER MANAGEMENT SAAS PLATFORM

As at 31 December 2019, 645 paying customers (2018: 373) including 376 app developers (which are online businesses) (2018: 272) and 269 offline businesses (2018: 101) had used the Group's charged services, and the Group recorded revenue of RMB33.7 million for the year ended 31 December 2019 from such business (2018: RMB13.7 million).

INTERACTIVE ADVERTISING BUSINESS

	For the year ended 31 December	
	2019	2018
DAUs (millions)[1]	**31.2**	20.5
MAUs (millions)[1]	**414.3**	284.7
Advertising page views (millions)[2]	**19,488.3**	14,523.8
Number of chargeable clicks (millions)[3]	**5,273.9**	3,819.9
Under CPC model (millions)[3]	**4,180.9**	3,072.2
Others (millions)	**1,093.0**	747.7
Click-through rate[4]	**27.1%**	26.3%
Average revenue per chargeable click under the CPC model (RMB)	**0.37**	0.35

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

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

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

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

	For the year ended 31 December	
	2019	2018
Content distribution channels	**6,929**	4,065
Ultimate advertisers	**4,015**	2,938

For the year ended 31 December 2019, the Group had placed interactive advertisements on 6,929 content distribution channels, mainly comprising mobile apps, and the Group's interactive advertising business served 4,015 ultimate advertisers (either through advertising agent customers or as our direct customers). The average revenue from the Group's interactive advertising business per ultimate advertiser was about RMB402,950 in 2019 (2018: RMB377,845).

BUSINESS REVIEW

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

User Management SaaS Business

Our user management SaaS platform is designed to help businesses attract and retain online users in a cost-effective manner, by offering various fun and engaging user management tools including reward points operation tools, marketing campaign tools and check-in tools to boost mobile app user activity and participation on apps. Having initially launched our user management SaaS platform on a free-of-charge model in order to expand our customer base, we began charging for our user management SaaS solutions on a pilot basis in April 2018. Meanwhile, we have been extending user management SaaS solutions to serve offline enterprises.

As at 31 December 2019, paying customers which used our charged user management SaaS services increased to 645 (2018: 373) including 376 app developers which are online businesses (2018: 272) and 269 offline businesses (2018: 101). For the year ended 31 December 2019, the average charge per paying customer of online businesses, large offline business and small offline business was about RMB54,000, RMB185,000 and RMB25,000 respectively. The number of newly signed contracts (including renewed contracts) for the Group's user management SaaS business reached 649 in 2019 (2018: 378). The total value of our newly signed contracts (including renewed contracts) in 2019 was approximately RMB43.4 million (2018: approximately RMB9.8 million). Revenue from our user management SaaS business increased significantly by 146.4% to RMB33.7 million (2018: RMB13.7 million).

The sales and marketing strategy of our user management SaaS business for offline businesses is to actively explore cooperation opportunities with top brands in several sectors including retailing, catering, banking and new media. In 2019, we made breakthroughs in expanding our banking customer base. Among the ten contracts with the highest contract value of the newly signed contracts (including renewed contracts) in 2019, the customers of eight contracts were banking customers. The total number and the total value of our newly signed contracts (including renewed contracts) with banking customers in 2019 was 65 (2018: 5) and RMB9.7 million (2018: RMB0.7 million), respectively.

The following table sets forth the financial performance of user management SaaS business for the years indicated:

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	**33,655**	13,661
Cost of sales	**(6,355)**	(2,675)
Selling and distribution expenses	**(41,217)**	(18,335)
Administrative expenses (excluding research and development)	**(3,009)**	(4,264)
Research and development	**(37,706)**	(34,556)
	(54,632)	(46,169)

We cover a wide variety of different user traffic, and have accumulated certain mainstream and high-quality customers such as large leading apps, WeChat's public accounts and top brands in offline businesses. These businesses have a large user base and demand for user management SaaS services, and we believe they present a great untapped potential.

Interactive Advertising Business

In 2015, the Group pioneered and launched its interactive advertising business, which aggregated the traffic of different app scenarios, systematically managed content activities, and achieved large-scale monetization through advertisements, thereby achieving a win-win situation for each of the advertisers, media partners and users. Advanced big data analytics and AI technology also provides robust support to the innovation and operations of our interactive advertising platform. We generally charge our interactive advertising customers based on the performance of advertisements. The majority of our revenue from our interactive advertising business during the year ended 31 December 2019 was generated from the CPC model under which we charged customers only if viewers interacted with our advertising tools and were directed to the mobile internet page designated by the advertisers.

For the year ended 31 December 2019, the revenue from our interactive advertising business surged by 45.7% to RMB1.6 billion (2018: RMB1.1 billion), 43% of the revenue was contributed by the e-commerce industry and 44% of the revenue was contributed by the financial industry. Among the top 20 ultimate advertisers in terms of revenue contribution in 2019, five customers were e-commerce platforms operated by listed companies and seven customers were listed financial enterprises. This business segment maintained a rapid growth and remained a major growth driver of the Group.

As at 31 December 2019, 90% of our interactive advertising platform's audience came from non-tier-one-cities. As a result, the Group will benefit from the incremental value of advertisements targeted at consumers in non-tier-one-cities with increasing consumption penetration. Currently, advertisers such as financial enterprises and e-commerce platforms with increased penetration to lower tier cities will increase their spending on interactive advertisement, which will be a key driver for our growth in coming years.

Based on the synergy effect from SaaS business, the Group endeavors to create various traffic scenarios for content distribution channels and immerse experience for users to ultimately help content distribution channels realize a structural increase in income. For example, we help media channels embed with mission-based system to enhance user retention rate as well as to achieve high profitability. The Group has also made persistent efforts to upgrade its advertising technology capability and provide automated and customized services to both content distribution channels and advertisers online through our interactive advertising platform consisting of the media management platform and the smart advertising system.

As at 31 December 2019, we had designed more than 14,000 advertising campaigns, most of which were the first-of-their-kind on the market. During the year ended 31 December 2019, the average revenue per chargeable click under the CPC model of our interactive advertising platform increased to RMB0.37 (2018: RMB0.35) while the average CTR (click-through rate) of our interactive advertising business reached 27.1% (2018: 26.3%) through our continuing efforts to upgrade products and technology.

Research and Development

During the year ended 31 December 2019, the Group continued to increase investment in research and development. As at 31 December 2019, the number of employees from our research and development department was 363, accounted for 52.4% of the Group's total employees, which resulted in a 20.0% increase in the Group's research and development expenses from RMB88.8 million in 2018 to RMB106.6 million in 2019. In order to improve and optimize our algorithms, we launched new technologies called "Feng Huo Tai" (烽火台) and "Ba Gua Tai" (八卦台). "Feng Huo Tai" has highly advanced real-time data analysis capability and instant and precise audience targeting capability, meanwhile, "Ba Gua Tai" has significantly improved the efficiency of new products tests in the research and development process.

FINANCIAL REVIEW

Despite the slowdown of the macro-economy in 2019, the Group still achieved strong financial performance and maintained our leading position in our two business segments, which were attributed to our visionary, insightful and creative management team, superior innovation capability, advanced big data analytics and AI capabilities, as well as extensive business partner network. For the year ended 31 December 2019, the Group's adjusted profit was RMB340.0 million (2018: RMB205.2 million), representing a growth of 65.7%. Meanwhile, our adjusted net profit margin increased to 20.6% (2018: 18.0%). The Group further facilitated the monetization of user traffic generated from the SaaS business as this segment contributed rapid growth and high gross margin.

Revenue

For the year ended 31 December 2019, the Group recorded a total revenue of RMB1.7 billion (2018: RMB1.1 billion), with an increase of approximately 45.3% from last year. Such increase was primarily attributed to the 45.7%, or RMB507.7 million, growth in the revenue from our interactive advertising business during the year ended 31 December 2019 as compared to 2018 reflecting the increases in advertising page views and number of chargeable clicks from 14,523.8 million to 19,448.3 million and 3,819.9 million to 5,273.9 million respectively, during the year ended 31 December 2019 due to our first-mover advantage, scale advantage and efficiency achieved through data, algorithm and operations.

The revenue generated from our user management SaaS platform business also recorded an increase of 146.4%, or RMB20.0 million, during the year ended 31 December 2019 as compared to 2018 mainly due to the increased number of newly contracted and renewed customers and the increased unit price.

Gross Profit

During the year ended 31 December 2019, the Group recorded gross profit of RMB567.5 million (2018: RMB428.9 million), which increased by approximately 32.3% as compared to the year ended 31 December 2018. The gross profit margin was approximately 34.4% (2018: approximately 37.7%) and the gross margin for SaaS business and advertisement business was 81.1% and 33.4%, respectively, due to the slowing growth of the macro environment and advertising industry. While lots of internet start-ups especially internet finance companies curtailed their advertisement activities, and the slowdown of GDP growth has left the advertisers with uncertain demand and budget, the Group aimed to better serve advertisers and stimulate an increase in advertising budget, through improving advertisement performance. During the year ended 31 December 2019, for improving advertisement performance, on one hand, the Group continued to increase the procurement of premium quality traffic from the core leading content distribution channels and optimize the revenue sharing ratio; on the other hand, the Group adjusted the incentive strategy for the core leading advertisers. Most of the advertisers reduced advertisement budgets and the mobile advertisement growth slowed down quickly in 2019, however the Group was still capable of maintaining rapid revenue growth with decent profitability. The gross profit margin of our interactive advertising business in the second half of 2019 was 36.0%, representing an increase of 5.4% over the first half of 2019, mainly due to our optimization of the media traffic structure and the continuous improvement of technology and operational capabilities, which enabled the Group to attract more advertising budget from advertisers at higher unit price.

Selling and Distribution Expenses

For the year ended 31 December 2019, the Group recorded selling and distribution expenses of RMB105.2 million (2018: RMB107.2 million). Meanwhile, selling and distribution expenses as a percentage of our total revenue decreased to approximately 6.4% (2018: approximately 9.4%), mainly due to greater economies of scale, continuous optimization of expense structure and unceasing improvement of staff efficiency.

Administrative Expenses

For the year ended 31 December 2019, the Group recorded administrative expenses of RMB221.8 million, representing an increase of 27.8% compared to RMB173.6 million for 2018, primarily due to the increase in research and development expenses. The Group recorded research and development expenses of RMB106.6 million (2018: RMB88.8 million). Meanwhile, listing expense and share-based payment incurred in 2019 were at the amount of RMB35.2 million (2018: RMB25.2 million) and RMB28.8 million (2018: RMB12.2 million) respectively. Administrative expenses as a percentage of our total revenue decreased to approximately 13.4% (2018: approximately 15.3%) mainly due to improvement of management efficiency.

The following table sets forth the components of our administrative expenses for the periods indicated:

	For the year ended 31 December			
	2019		2018	
	Amount	% of Revenue	Amount	% of Revenue
	(RMB'000, except percentages)			
Research and development	**106,623**	6.5%	88,835	7.8%
Listing expenses	**35,226**	2.1%	25,188	2.2%
Salary and welfare	**24,713**	1.5%	26,756	2.4%
Share-based payment	**28,769**	1.7%	12,247	1.1%
Office expense and related expenses	**9,506**	0.6%	7,685	0.7%
Agency and consulting fee	**6,877**	0.4%	5,937	0.5%
Tax expense	**4,866**	0.3%	3,414	0.3%
Depreciation and amortization	**4,167**	0.3%	1,961	0.2%
Others	**1,066**	0.1%	1,531	0.1%
Total	**221,813**	13.4%	173,554	15.3%

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

The loss we recognized from the change in fair value of financial liabilities at fair value through profit or loss increased from RMB453.6 million for the year ended 31 December 2018 to RMB475.8 million for the year ended 31 December 2019, primarily due to the substantial increase in our business value.

Loss for the year

For the year ended 31 December 2019, loss attributable to the shareholders of the Group amounted to RMB196.8 million (2018: RMB291.6 million). Basic loss per share decreased to RMB21.9 cents (2018: RMB44.0 cents) mainly due to the significant increase in revenue.

Adjusted Profit for the year

For the year ended 31 December 2019, the Group's adjusted profit was RMB340.0 million (2018: RMB205.2 million), representing a growth of 65.7%. Our adjusted net profit margin increased to 20.6% (2018: 18.0%) mainly due to the combined effects of greater economies of scale and improvement of management efficiency.

Cash Flows

For the year ended 31 December 2019, our net cash inflow generated from operating activities was RMB241.0 million (2018: net cash outflow of RMB7.4 million), our net cash outflow used in investing activities was RMB625.7 million (2018: RMB231.1 million) representing an increase of 170.6% compared with 2018, primarily due to the purchases of financial assets at fair value through profit or loss at the amount of RMB3,065.9 million (2018: RMB1,564.0 million). Our net cash inflow generated from financing activities was RMB304.4 million (2018: RMB403.6 million), primarily due to the proceeds from issue of Shares.

Gearing Ratio

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes trade payables, other payables and accruals, tax payable, lease liabilities and financial liabilities at fair value through profit or loss, less cash and cash equivalents. As at 31 December 2019, the Group's gearing ratio was a negative value as compared to approximately 173.3% as at 31 December 2018 primarily due to the conversion of the preference shares, which were accounted for as financial liabilities at fair value through profit or loss, into ordinary shares prior to the listing of our Shares on the Stock Exchange on 7 May 2019 (the "Listing Date").

Liquidity and Capital Structure

During the year ended 31 December 2019, the daily working capital of the Group was primarily derived from internally generated cash flow from operating activities and our initial public offering proceeds. As at 31 December 2019, the Group had cash and cash equivalents of approximately RMB220.8 million. We did not have any unutilized banking facilities as at 31 December 2019.

Foreign Exchange Risk Management

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

Material Acquisitions, Disposals and Significant Investment

There were no material acquisitions, disposals or significant investment of the Group from the Listing Date to 31 December 2019.

The Group operates an asset light business model, and following the Listing in May 2019, the Group came into possession of a significant amount of cash from the Net Proceeds. Consistent with the Group's adopted treasury policy and to better utilize the surplus cash reserves, the Group placed some of the cash in various wealth management products and funds which generally bear low risk exposure with banks and licensed financial institutions in the PRC.

As at 31 December 2019, the aggregate fair value of such wealth management products and funds, which were issued by reputable banks and financial institutions in the PRC, amounted to approximately RMB1,072.9 million. Please refer to Note 19 to the consolidated financial information for further details on the wealth management products and funds held by the Group as at 31 December 2019.

Given the asset light business model of the Group, cash and the financial assets at fair value through profit or loss inevitably account for a significant portion of the Group's total assets, the Company expects to continue to utilize its surplus cash reserves to invest in low-risk financial products and generate income without interfering with the Group's business operations or capital expenditures. Any acquisition or disposal of financial products by the Group will strictly be carried out in accordance with the Group's adopted treasury policy, and the Company will comply with all applicable requirements under the Listing Rules including those under Chapter 14 in respect of any acquisition and disposal of financial assets.

For further details on the treasury policy of the Group, please refer to the section headed "Financial Information – Discussion of Certain Items from the Consolidated Statements of Financial Positions – Financial Assets at Fair Value Through Profit or Loss" in the Prospectus.

Contingent Liabilities

As at 31 December 2019, the Group did not have any unrecorded contingent liabilities or guarantees (2018: nil).

ORGANIZATION AND TALENT RETENTION

As at 31 December 2019, the Group's workforce reached 692, including 278 sales employees, 51 administration employees and 363 research and development employees. Identification and development of high-potential talents has been listed as a top priority for the management this year. Moreover, the Group provided greater incentives to talents by granted them with share options and share awards of the Company.

SOCIAL RESPONSIBILITY

During the year ended 31 December 2019, the Group has upheld the principle of "serving the people and giving back to society" through continuous and strong support to charity projects. The Group has actively responded to charity initiatives and successfully completed the "Warmth in winter, Guardian of small wishes" project in collaboration with the Charity Federation of Xiangshan in Ningbo. By partnering with numerous charities, the Group has been able to utilize its in-house internet advantages to help several public welfare initiatives, including: Hangzhou Net Volunteer Branch Association's "6.1 Children's Day small wishes" project and the Hangzhou Children's Welfare Institute's "Walking with love, Caring for Children".

The Group donated RMB200,000 to the Xihu District Education Foundation in Hangzhou, RMB500,000 to the "Hangzhou City 見義勇為 Fund" and was awarded the "Donation for Hangzhou City 見義勇為 Special Contribution Award" and RMB50,000 to the Hangzhou Police Care Foundation.

In the future, the Group will continue to participate in public welfare activities, promote local economic developments and help people in need.

FUTURE OUTLOOK

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

SUBSEQUENT EVENT

At present, the Group expects the COVID-19 outbreak to have limited impact on its business. However, it is difficult to estimate the full impact in the coming months given the dynamic nature of these circumstances. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts.

REPORT OF DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Company for the year ended 31 December 2019.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 26 February 2018 as an exempted company with limited liability under the laws of the Cayman Islands. The Shares were listed on the Main Board of the Stock Exchange by way of global offering on the Listing Date.

PRINCIPAL ACTIVITIES

The Company is the leading user management SaaS provider and interactive advertising platform operator in the PRC. Analysis of the principal activities of the Company during the Reporting Period is set out in the note 5 to the consolidated financial information.

RESULTS

The revenue and adjusted profit attributable to the owners of the Company for the year ended 31 December 2019 were RMB1,651.6 million and RMB340.0 million, respectively. Of such revenue, approximately 98.0% was derived from the interactive advertising business and approximately 2.0% was derived from the user management SaaS platform business. For details, please refer to the consolidated statement of profit or loss and other comprehensive income set out on page 60 of this annual report.

DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2019. Given that the impact of the coronavirus epidemic on the PRC economy and the Group's business is still uncertain at this stage, the Board would need more time to analyze market data and assess the potential impact on the Group. Accordingly, the Board believes it would be prudent for the Group to maintain a higher level of cash balances which would in turn provide the Group with more flexibility in meeting any unexpected expenses or other demands should they arise. When the economic outlook becomes more certain, the Board, taking into account the Group's operations and earnings, capital requirements and surplus, general financial condition, capital expenditure and future development requirements, shareholders' interests and such other conditions and other factors which the Board may deem relevant at such time, may consider declaring a special dividend in 2020.

BUSINESS REVIEW

Please refer to the chapter headed "Management Discussion and Analysis" on pages 9 to 15 in this annual report for details regarding the business conditions, main risks and uncertainties faced by the Group in 2019, particulars of important events affecting the Company that have occurred since 31 December 2019, and the prospect of 2020.

OUTLOOK

Please refer to the section headed "Future Outlook" on page 15 of "Management Discussion and Analysis" in this annual report for details.

FINANCIAL SUMMARY

A summary of the Company's results, assets and liabilities for the last four financial years are set out on page 6 of this annual report. This summary does not form part of the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended 31 December 2019, the Company's transaction amounts to its five largest customers accounted for 70.6% (2018: 59.3%) of the Company's total revenue and the transaction amount of its single largest customer accounted for 18.8% (2018: 17.1%) of the Company's total revenue.

Major Suppliers

For the year ended 31 December 2019, the transaction amounts of the Company's five largest suppliers accounted for 33.9% (2018: 22.0%) of the Company's total purchases and the transaction amount of its single largest supplier accounted for 15.7% (2018: 7.0%) of the Company's total purchases.

For the year ended 31 December 2019, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the total number of issued Shares) had any interest in any of the Company's five largest customers and suppliers.

RELATIONS WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

Customers

We have built strong, long-standing relationships with our major customers and established a strong customer base. We are committed to protecting the interests of our customers and end users and improving their experience. Good service is one of the key competencies of the Group and we always strive to reduce complaints.

During the Reporting Period, we attended industry conferences to solicit new potential customers and maintain relationships with existing customers. To further enhance our business relationship with our customers, our operations and sales teams also visit our customers on a regular basis to exchange views and collect feedback with a view to providing better services.

Suppliers

We place advertisements on content distribution channels through our media partners consisting of online publishers and media agents which we engage on behalf of online publishers. We share with our media partners a certain percentage of the revenue we generate from the placement of advertisements usually on a monthly basis.

During the Reporting Period, we have advertisements on 6,929 content distribution channels and our relationships with our major suppliers have been, and are expected to continue to be, good and stable. All of our procurements were paid in RMB.

Employees

In addition to competitive salaries, we provide employees with supplementary compensation benefits, such as meal allowance, birthday gifts and team outing. In addition, we value our employees and provide them with continuing education, on-the-job training and encourage their career development through accumulating on-the-job experience. We are required to make contributions to various government-sponsored employee benefit funds, including social insurance fund, basic pension insurance fund and unemployment, maternity and work-related insurance funds in accordance with applicable PRC laws and regulations.

During the Reporting Period, there was no labour dispute or strike. Our Directors are of the view that our current relationship with our employees is good.

ENVIRONMENTAL PERFORMANCE AND POLICIES

The Company attaches great importance to environmental protection and resource conservation, and continuously pays attention to the impact of its business operations on the environment. The Company is committed to maintaining the common development of economy, environment and society, and promoting awareness of environmental protection and resource conservation in its daily operations. The Group had adopted various electricity-saving, water-saving and carbon emission reduction management measures, including management over garbage classification, air conditioning temperature setting, paperless office construction and timely maintenance of water equipment, thereby improving efficiency and minimizing resource consumption. The Company is in compliance with relevant environmental laws and regulations, including but not limited to the *Environmental Protection law of the People's Republic of China (《中華人民共和國環境保護法》)*, *Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》)*, *Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》)*, *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》)* and is not aware of any environmental-related violations during the Relevant Period.

For details of the Company's environmental policies and performance, the compliance with the relevant laws and regulations and the relations with its employees, suppliers and customers, please refer to the Environmental, Social and Governance Report of the Company for the year ended 31 December 2019 to be published on the website of the Stock Exchange (http://www.hkexnews.hk) and the Company's own website (http://www.duiba.cn) according to the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, for the year ended 31 December 2019, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company during the Reporting Period are set out in note 14 to the audited consolidated financial information.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 25 to the audited consolidated financial information.

RESERVES

Details of movements in the reserves of the Company during the Reporting Period are set out on page 63 in the audited consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution amounted to approximately US$112.31 million (as at 31 December 2018: US$66.5 million).

TAXATION

Tax position of the Company during the Reporting Period is set forth in note 11 to the audited consolidated financial information.

BANK LOANS AND OTHER BORROWINGS

The Company did not have any bank loans or other borrowings and unutilised banking facilities as at 31 December 2019.

POST BALANCE SHEET EVENTS

The material post balance sheet events are disclosed in note 36 to the audited consolidated financial information.

DIRECTORS

The Directors during the Relevant Period and up to the date of this annual report are as follows:

Executive Directors:

Mr. Chen Xiaoliang *(Chairman of the Board and Chief Executive Officer)*
Mr. Fang Hua[1]
Mr. Xu Hengfei[2]
Mr. Zhu Jiangbo
Ms. Chen Ting[3]
Mr. Cheng Peng[4]

Non-executive Directors:

Mr. Huang Tao
Mr. Sun Qiang Chang[5]
Mr. William Peng[6]

Independent Non-executive Directors:

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

Notes:

(1) Mr. Fang Hua resigned as an Executive Director on 25 October 2019.

(2) Mr. Xu Hengfei resigned as an Executive Director on 2 March 2020.

(3) Ms. Chen Ting was appointed as an Executive Director on 25 October 2019.

(4) Mr. Cheng Peng was appointed as an Executive Director on 2 March 2020.

(5) Mr. Sun Qiang Chang resigned as a Non-executive Director on 4 December 2019.

(6) Mr. William Peng was appointed as a Non-executive Director on 4 December 2019.

In accordance with article 84(2) of the Articles of Association, Mr. Chen Xiaoliang shall retire by rotation, and being eligible, has offered himself for re-election at the AGM.

In accordance with article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Ms. Chen Ting, Mr. Cheng Peng, Mr. William Peng, Mr. Kam Wai Man, Dr. Ou-Yang Hui and Dr. Gao Fuping shall hold office until the AGM, and being eligible, have offered themselves for re-election.

Details of the Directors purposed to be re-elected at the AGM are set out in the circular to the Shareholders dated 28 April 2020.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 50 to 54 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent throughout the Relevant Period.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of Mr. Chen Xiaoliang, and Mr. Zhu Jiangbo has entered into a service contract with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than two months' notice in writing served by either party on the other. Each of Ms. Chen Ting and Mr. Cheng Peng has entered into a service contract with the Company for a term of three years commencing from 25 October 2019 and 2 March 2020, respectively, which may be terminated by not less than two months' notice in writing served by either party on the other. The executive Directors are not entitled to any Director's fee.

Mr. Huang Tao has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than one month's notice in writing served by either party on the other. Mr. William Peng has entered into a letter of appointment with the Company for an initial term of three years commencing from 4 December 2019, which may be terminated by not less than one month's notice in writing served by either party on the other. The non-executive Directors are not entitled to any Director's fee. None of the non-executive Directors is expected to receive any remuneration for holding their office as a non-executive Director.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other. Mr. Kam Wai Man, Dr. Ou-Yang Hui and Dr. Gao Fuping are entitled to Director's fee of HK$240,000, RMB300,000 and RMB120,000, respectively, per annum. Except for Directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

None of the Directors has or is proposed to have a service contract with the Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Company's emolument policy and structure for all remuneration of the Directors and senior management of the Company, having regard to the Company's operating results, individual performance of the Directors and senior management and comparable market practices.

Details of the emoluments of the Directors, and the five highest paid individuals during the Reporting Period are set out in note 10 to the consolidated financial information.

The Company has adopted the Share Option Scheme to incentivize the employees and directors of the members of the Group or associated companies of the Company. Details of the Share Option Scheme are set out in the paragraph under "Share Option Scheme" below.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Company to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the Relevant Period.

RIGHTS AND INTERESTS OF DIRECTORS ON COMPETING BUSINESSES

Save as disclosed in this annual report, during the Relevant Period, none of the Directors or their associates had any competing interests in the businesses which compete or are likely to compete with the Company, either directly or indirectly.

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 Relevant Period.

CONTRACTS OF SIGNIFICANCE

None of the Company or any of its subsidiaries entered into any contracts of significance with the controlling shareholder or any of its subsidiaries other than the Company, nor was there any contracts of significance between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiaries other than the Company in relation to provision of services during the Relevant Period.

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

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

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

As at 31 December 2019, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Capacity/Nature of Interest	Number of Shares held [1]	Approximate percentage of interest in the Company [2]
Mr. Chen Xiaoliang [3]	Founder of a discretionary trust and interest of controlled corporations	542,609,100 (L)	49.16%
Mr. Xu Hengfei ("**Mr. Xu**") [4]	Interest of controlled corporation	27,824,400 (L)	2.52%

Notes:

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

(2) The percentage is calculated based on the total number of Shares in issue as at 31 December 2019.

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

(4) As at 31 December 2019, Mr. Xu was an executive Director and our chief technology officer, and he was deemed to be interested in the 27,824,400 Shares held by Hengfei Holding Limited, a company incorporated in the BVI and wholly owned by Mr. Xu. Mr. Xu resigned as an executive Director on 2 March 2020.

Save as disclosed above, as at 31 December 2019, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2019, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	**Capacity/Nature of Interest**	**Number of Shares held** [1]	**Approximate percentage of interest in the Company** [2]
CMB Wing Lung (Trustee) Limited [3]	Trustee of a trust	454,552,000 (L)	41.19%
Antopex Limited [3]	Nominee for another persons	454,552,000 (L)	41.19%
Blissful Plus Enterprises Limited [3]	Interest of controlled corporation	454,552,000 (L)	41.19%
XL Holding Limited [3]	Beneficial owner	454,552,000 (L)	41.19%
Kewei Holding Limited [4]	Beneficial owner	68,057,100 (L)	6.17%
Rising Union Limited [5]	Beneficial owner	133,000,000 (L)	12.05%
TPG Growth IV SF Pte. Ltd. [6]	Beneficial owner	57,000,000(L)	5.16%
Xinran Group Holding Limited [7]	Beneficial owner	73,055,700 (L)	6.62%
Mr. Liu Yang ("**Mr. Liu**") [7]	Interest of controlled corporation	73,055,700 (L)	6.62%

Notes:

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

(2) The percentage is calculated based on the total number of Shares in issue as at 31 December 2019.

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

(4) Kewei Holding Limited is a company incorporated in the BVI and owned by certain employees of the Group. Among other shareholders, it was owned as to (i) 38.9% by Mr. Chen Xiaoliang, the chairman of the Board, the chief executive officer of the Company and an executive Director, (ii) 7.9% by Mr. Zhu Jiangbo, an executive Director, (iii) 2.8% by Ms. Chen Ting, an executive Director; and (iv) 1.7% by Mr. Cheng Peng, an executive Director. Mr. Chen Xiaoliang is the sole Director of Kewei Holding Limited as at 31 December 2019.

(5) Rising Union Limited, a limited liability company incorporated in the BVI, is owned as to (i) 93% by Orchid Asia VII, L.P. ("**OA7**"), and (ii) 7% by Orchid Asia VII Co-Investment, Limited ("**OA-Co**"), both of which are controlled by Areo Holdings Limited. OA7 is principally engaged in equity investments in private companies, and OA-Co is an entity incorporated to invest alongside with OA7. According to the disclosure of interests notice filed by Areo Holdings Limited dated 20 September 2019, Areo Holdings Limited controls Rising Union Limited through its controlled corporations, namely OAVII Holdings, L.P., Orchid Asia VII GP, Limited, Orchid Asia V Group Management, Limited and Orchid Asia V Group, Limited. Mr. Gabriel Li is the sole Director of Rising Union Limited and is deemed to be interested in the 133,000,000 Shares held by Rising Union Limited. Ms. Lam Lai Ming is the spouse of Mr. Gabriel Li. Accordingly, each of OA7, OAVII Holdings, L.P., Orchid Asia VII GP, Limited, Orchid Asia V Group Management, Limited, Orchid Asia V Group, Limited, Areo Holdings Limited, Mr. Gabriel Li and Ms. Lam Lai Ming is deemed to be interested in the 133,000,000 Shares held by Rising Union Limited.

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

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

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Share Option Scheme was approved and adopted by the Shareholders on 17 April 2019 and became effective upon the listing of the Shares on the Main Board of the Stock Exchange.

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of the Group or associated companies of the Company, provided that any grant of options under the Share Option Scheme is subject to unanimous approval of all members of the Board entitled to approve such grant pursuant to the requirements under the Listing Rules, the Articles of Association and the applicable laws and regulations. The purpose of the Share Option Scheme is to incentivize and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 111,111,120 Shares, representing approximately 10.31% of the Shares in issue as at the date of this annual report. The total number of Shares issued and to be issued upon exercise of the options granted (including both exercised and outstanding options) to a participant in any 12-month period must not exceed 1% of the Shares in issue as at such date unless approved by the Shareholders in a general meeting.

The options granted under the Share Option Scheme may be accepted by a participant within such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the participant concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme. An amount of RMB1.00 is payable upon acceptance of the grant of an option.

The exercise price of the options granted under the Share Option Scheme shall be such price as determined by the Board and notified the participant and which shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the option, (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant of the option, and (iii) the nominal value of the Shares.

The Share Option Scheme is valid and effective for a period of ten years commencing on the Listing Date, and it has a remaining life of approximately nine years as at the date of this annual report. During the Relevant Period, no option had been granted or agreed to be granted by the Company pursuant to the Share Option Scheme.

EQUITY-LINKED AGREEMENTS

During the Relevant Period, save as disclosed in this annual report, no equity-linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreement which will or may result in the Company issuing shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Relevant Period, as the Board considered that the trading price of the Shares did not reflect their intrinsic value, the Board determined to exercise its powers under the general mandate to repurchase Shares granted by the Shareholders at the general meeting held on 17 April 2019. The share repurchases could reflect the Board's confidence in the Company's development prospects. The total number of Shares repurchased by the Company on the Stock Exchange during the Relevant Period was 33,788,000 at a total consideration (before expenses) of HK$153,615,032.12. All such repurchased shares have been cancelled.

Details of the repurchase during the Relevant Period are as follows:

Month	Total number of Shares repurchased	Highest purchase price per Share	Lowest purchase price per Share	Total consideration (before expenses)
		(HK$)	(HK$)	(HK$)
June	833,600	4.73	4.32	3,785,733.96
July	1,541,600	5.20	4.65	7,699,571.84
August	3,873,600	4.45	3.92	16,764,255.32
September	8,288,800	4.44	3.79	34,286,363.00
October	12,327,200	4.86	4.28	55,828,440.00
December	6,923,200	5.40	4.54	35,250,668.00
	33,788,000			153,615,032.12

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

PRE-EMPTIVE RIGHTS

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

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2019 are set out in note 31 to the consolidated financial information. To the best knowledge of the Directors, none of these related party transactions constitute connected transactions that need to be disclosed under the Listing Rules.

DONATIONS

During the Reporting Period, the charitable and other donations made by the Company amounted to RMB750,000.

DEBENTURES ISSUED

During the Reporting Period, no issuance of debentures was made by the Company.

SIGNIFICANT LEGAL PROCEEDINGS

During the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

PERMITTED INDEMNITY PROVISION

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

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

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 6 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 30 to 49 of this annual report.

USE OF NET PROCEEDS FROM LISTING

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

As stated in the Prospectus, the Company intended to use the Net Proceeds in the following manner:

- approximately 37% or RMB180.2 million for the enhancement of our research and development function;
- approximately 25% or RMB125.1 million for the enhancement of our sales and marketing function;
- approximately 8% or RMB38.1 million for the enhancement of our operational function;
- approximately 20% or RMB98.1 million for investment into and acquiring companies and businesses that are relevant or complementary to our business and technologies, in order to support our growth strategies; and
- approximately 10% or RMB49.0 million for working capital and other general corporate purposes.

As at 31 December 2019, the Group had utilized the Net Proceeds in the manner as set out in the table below:

	Approximate percentage of total amount	**Net Proceeds**	**Utilization as at 31 December 2019**	**Unutilized amount**
	%	RMB' million	RMB' million	RMB' million
Research and development	37%	180.2	13.9	166.3
Sales and marketing	25%	125.1	11.2	113.9
Operations	8%	38.1	2.9	35.2
Acquisitions	20%	98.1	–	98.1
Working capital	10%	49.0	29.4	19.6
Total	**100%**	**490.5**	**57.4**	**433.1**

There was no change in the intended use of the Net Proceeds as previously disclosed in the Prospectus. The delay in the use of the actual use of the Net Proceeds was mainly due to the delay in the execution of the Group's business plan.

A detailed breakdown and description of the intended use of the unutilized Net Proceeds and the expected timeline for the use of the unutilized Net Proceeds is set out in the table below:

	2020	2021	Total
		(RMB' million)	
Research and development:			
– business-specific staff recruitment	32.1	45.5	77.6
– investment in servers	19.8	12.5	32.3
– improvement in technology infrastructure	13.9	19.7	33.6
– research and development centre	11.4	11.4	22.8
Subtotal	77.2	89.1	166.3
Sales and marketing:			0
– business-specific staff recruitment	17.2	25.3	42.5
– marketing initiatives	32.1	39.4	71.5
Subtotal	49.2	64.6	113.8
Operations:			0
– business-specific staff recruitment	11	15.6	26.6
– operational facilities	3.6	5.1	8.7
Subtotal	14.5	20.6	35.1
Acquisitions	–	–	98.1
Working capital	19.6	–	19.6

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the Relevant Period and as at the date of this annual report.

AUDIT COMMITTEE

The Audit Committee had, together with the management of the Company and Auditor, reviewed the accounting principles and policies adopted by the Company and the consolidated financial statements during the Reporting Period.

AUDITOR

Ernst & Young was appointed as the Auditor during the Reporting Period. The accompanying financial statements prepared in accordance with HKFRSs have been audited by Ernst & Young.

Ernst & Young shall retire at the AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of Ernst & Young as Auditor will be proposed at the AGM.

On behalf of the Board
Chen Xiaoliang
Chairman

Hangzhou, PRC, 30 March 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

THE BOARD

Responsibilities

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

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

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

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

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

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

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

Board Composition

As at the date of this annual report, the Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors as follows:

Executive Directors:
Mr. Chen Xiaoliang (Chairman)
Mr. Zhu Jiangbo
Ms. Chen Ting
Mr. Cheng Peng

Non-executive Directors:
Mr. Huang Tao
Mr. William Peng

Independent non-executive Directors:
Mr. Kam Wai Man
Dr. Ou-Yang Hui
Dr. Gao Fuping

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

For the Relevant Period, the Board had met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

For the Relevant Period, the Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

None of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

Board diversity policy

We have adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's development. Pursuant to the Board Diversity Policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board members have a balanced mix of experiences and background, including but not limited to experiences in computer science, e-commerce, electronics, real estate, securities, financial, education and legal industries. The Board members obtained degrees in various majors including information and computing science, automation, electrical engineering, electronic information engineering, finance, business administration, political science and law. We have two non-executive Directors and three independent non-executive Directors with different industry backgrounds, and they together represent more than half of the members of the Board. Moreover, the members of Board have a wide range of age, ranging from 28 years old to 57 years old. While we recognize that the gender diversity at the Board level can be improved given its current composition of male-majority Directors, we will continue to apply the principle of appointments based on merits with reference to the Board Diversity Policy as a whole, and we will continue to take steps to promote gender diversity at all levels of the Company.

The Nomination Committee is delegated by the Board to be responsible for compliance with relevant codes governing board diversity under the CG Code. The Nomination Committee will review the Board Diversity Policy from time to time to ensure its effectiveness and the related objectives we have set and the progress on achieving the objectives on an annual basis.

Measurable objectives of the Board Diversity Policy and the progress on achieving the objectives

The measurable objectives

Objective 1: Considering candidates for appointment as Directors from a wide pool of talents taking into account the culture, educational background, expertise and professional experience, skills, experience, knowledge, perspectives and other contributions that would complement the current needs of the Board.

Objective 2: Reviewing annually whether the composition and structure of the Board is suitable for the overall development strategy of the Group based on its business operation and the developmental need to propose adjustment and implementation plans.

Progress on achieving the objectives

Objective 1: Selection and appointment of the Directors should be in compliance with the requirements of the Board Diversity Policy and in line with the overall development strategy of the Group. From the Listing Date, the Nomination Committee will identify the candidates for directorships and recommend to the Board according to the Board Diversity Policy for any replacement of Director or an addition to the Board. The Board would also appoint suitable candidates for directorship based on the overall development of the Group and the Board Diversity Policy.

Objective 2: The current arrangement and structure of the Board is appropriate for the development need of the existing business operation of the Group and is conducive for providing the Company with extensive valuable advice and supervision on decision-making. The Company will continually assess the diversity of the Board and objectively consider the composition and effectiveness of the Board from the 2020 financial year.

All Directors, including 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. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties.

Induction and Continuous Professional Development

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

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

According to the information provided by the Directors, a summary of training received by the Directors for the Relevant Period is as follows:

Name of Directors	**Nature of Continuous Professional Development Programmes**
Executive Directors	
Mr. Chen Xiaoliang	A, B, C and D
Mr. Zhu Jiangbo	A, B, C and D
Ms. Chen Ting	A, B, C and D
Mr. Cheng Peng	A, B, C and D
Non-executive Directors	
Mr. Huang Tao	A, B, C and D
Mr. William Peng	A, B, C and D
Independent non-executive Directors	
Mr. Kam Wai Man	A, B, C and D
Dr. Ou-Yang Hui	A, B, C and D
Dr. Gao Fuping	A, B, C and D

Notes:

A: Attending training relating to the Directors' duties and responsibilities

B: Reading materials relating to the legal and regulatory updates

C: Attending training relating to the Company's business

D: Reading materials relating to corporate governance, the Listing Rules and other relevant ordinances

Appointment and Re-election of Directors

Each of the Directors has entered into a service contract or a letter of appointment with the Company. For further details on the service contracts and letters of appointment of the Directors with the Company, please refer to the section headed "Directors' Service Contracts and Letters of Appointment" on page 21 of "Report of the Directors" in this annual report.

None of the Directors has or is proposed to have a service contract with the Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

In accordance with Article 83(3) of the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with Article 84 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last reelected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to Article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

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

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than 14 days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

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

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

Pursuant to code provision A.1.1 of the CG Code, the Board is expected to meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. Only two Board meetings were held during the Relevant Period which is less than one year. A general meeting about interim dividends was held during the Relevant Period.

During the Reporting Period, two Board meetings were held. The Company convened one general meeting for the Relevant Period, the attendance of each Director at the Board meetings and the general meeting is set out in the table below:

Directors	Attended/ Eligible to attend the Board meeting(s)	Attended/ Eligible to attend the general meeting
Executive Directors:		
Mr. Chen Xiaoliang	2/2	1/1
Mr. Zhu Jiangbo	2/2	0/1
Mr. Fang Hua	1/1	1/1
Ms. Chen Ting[1]	1/1	0/0
Mr. Xu Hengfei	2/2	1/1
Mr. Cheng Peng[2]	0/0	0/0
Non-executive Directors:		
Mr. Huang Tao	2/2	1/1
Mr. Sun Qiang Chang	2/2	0/1
Mr. William Peng[3]	0/0	0/0
Independent Non-executive Directors:		
Mr. Kam Wai Man	2/2	0/1
Dr. Ou-Yang Hui	2/2	0/1
Dr. Gao Fuping	2/2	0/1

Notes:

(1) After the appointment of Ms. Chen Ting as an executive Director and up to 31 December 2019, the Company held only one Board meeting and had not held any general meeting.

(2) Mr. Cheng Peng was appointed as an executive Director on 2 March 2020.

(3) After the appointment of Mr. William Peng as a non-executive Director and up to 31 December 2019, the Company had not held any board meeting or general meeting.

Subsequent to the year ended 31 December 2019 and up to the date of this annual report, one Board meeting was held on 30 March 2020 for reviewing and approving the financial statements for the year ended 31 December 2019. All Directors (except Mr. William Peng) attended the Board meeting.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she had complied with the Model Code during the Relevant Period.

For the Relevant Period, the Company had also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Delegation by the Board

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

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

Corporate Governance Function

The Board recognises that corporate governance should be the collective responsibility of the Directors which includes:

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

(d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and

(f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises three members, namely Mr. Kam Wai Man (Chairman), Dr. Ou-Yang Hui and Dr. Gao Fuping, all of whom are independent non-executive Directors.

The principal duties of the Audit Committee include the following:

1. to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the Audit and reporting obligations before the audit commences;

3. to develop and implement policies on engaging an external auditor to supply non-audit services. For this purpose, an "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

4. to monitor the integrity of the Company's financial statements, annual reports, accounts, half yearly reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; and

5. to review the Company's financial controls, risk management and internal control systems.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

Code provision C3.3(e)(i) of the CG Code provides that the terms of reference of the Audit Committee shall have the terms that the members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet at least twice a year with the Auditor. The Company has included such terms in relevant terms of reference, and thus complied with the code provision C3.3(e)(i) of the CG Code during the Reporting Period.

During the Relevant Period which is less than one year, one meeting of the Audit Committee was held to discuss and consider the following matters:

- reviewed the consolidated unaudited financial statements, interim results announcement and the 2019 interim report for the six months ended 30 June 2019, and submitted them to the Board for approval;

- reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the re-appointment of the Auditor; the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the Auditor; and

- discussed the audit plan for the year ended 31 December of 2019 with the Auditor.

Attendance of each Audit Committee member during the Relevant Period is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. Kam Wai Man (Chairman)	1/1
Dr. Ou-Yang Hui	1/1
Dr. Gao Fuping	1/1

Subsequent to the year ended 31 December 2019 and up to the date of this annual report, one meeting of Audit Committee was held on 30 March 2020 to review the annual financial results and report and major audit issues, re-appointment of external auditors and relevant scope of works. All members of the Audit Committee attended the meeting.

Nomination Committee

The Nomination Committee currently comprises four members, including one executive Director namely Mr. Chen Xiaoliang (Chairman), and three independent non-executive Directors namely Mr. Kam Wai Man, Dr. Ou-Yang Hui and Dr. Gao Fuping.

The principal duties of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;

3. to identify individuals who are suitably qualified to become a member of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships with regard to the Board Diversity Policy and other factors which are relevant to the Company;

4. to assess the independence of independent non-executive Directors;

5. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman of the Board and the chief executive of the Company; and

6. to develop a policy concerning diversity of Board members, and disclose the policy or a summary of the policy in the corporate governance report.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

During the Relevant Period, one meeting of the Nomination Committee was held to discuss and consider the acceptance of Mr. Fang Hua's resignation as executive Director and appointment of Ms. Chen Ting as executive Director.

Attendance of each Nomination Committee member during the Relevant Period is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. Chen Xiaoliang (Chairman)	1/1
Mr. Kam Wai Man	1/1
Dr. Ou-Yang Hui	1/1
Dr. Gao Fuping	1/1

Policy on Directors Nomination

The Nomination Committee reviews the information and documents provided by the nominated candidate as required by the Company's nomination policy for directorship and conduct the following process (in accordance with the following criteria) with a view to assessing and evaluating whether such candidate is suitably qualified to be appointed as a Director before making recommendations to the Board:

1. The Nomination Committee shall consider the following factors, which are not exhaustive and the Board has discretion if it considers appropriate, in assessing the suitability of the proposed candidate regarding the appointment of Directors or re-appointment of any existing Board member(s):

    (i) reputation for integrity;

    (ii) accomplishment, experience and reputation in the business and industry;

    (iii) commitment in respect of sufficient time, interest and attention to the businesses of the Company and its subsidiaries;

    (iv) diversity in all aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience;

    (v) compliance with the criteria of independence, in case for the appointment of an independent non-executive Director, as prescribed under Rule 3.13 of the Listing Rules; and

    (vi) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time as appropriate.

2. The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles of Association and other applicable rules and regulations.

3. The proposed candidates will be asked to submit the necessary personal information in a prescribed form by the Nomination Committee.

4. The secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee. The Nomination Committee may also nominate candidates for its consideration.

5. For the appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval.

6. For the re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

7. If a Shareholder wants to propose a candidate to the Board for consideration, he/she shall refer to the "Procedures for a Proposing a Person for Election as a Director", which is available on the Company's website.

8. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

Remuneration Committee

The Remuneration Committee comprises four members, including three independent non-executive Directors namely Dr. Ou-Yang Hui (Chairman), Dr. Gao Fuping and Mr. Kam Wai Man, and one executive Director namely Mr. Zhu Jiangbo.

The principal duties of the Remuneration Committee include the following:

1. to make recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time;

3. to make recommendations to the Board on the remuneration packages of executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to make recommendations to the Board on the remuneration of non-executive Directors; and

5. to consider factors such as the level of remuneration paid by comparable companies, the time commitment and responsibilities of Directors and senior management, and the employment conditions of the Company and its subsidiaries.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the Relevant Period, one meeting of the Remuneration Committee was held to discuss, review and consider the remuneration package of Ms. Chen Ting as executive Director.

Attendance of each Remuneration Committee member during the Relevant Period is set out in the table below:

Directors	Attended/ Eligible to attend
Dr. Ou-Yang Hui (Chairman)	1/1
Dr. Gao Fuping	1/1
Mr. Kam Wai Man	1/1
Mr. Zhu Jiangbo	1/1

Remuneration of Directors and Senior Management

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out on pages 50 to 54 of this annual report, during the Relevant Period, are set out below:

Remuneration band (HK$)	Number of individual
0-500,000	10
500,001-1,000,000	5

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2019 which give a true and fair view of the affairs of the Company and of the Company's results and cash flows.

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

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

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 55 to 59 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has established a set of risk management measures and internal control policies to identify, evaluate, and manage risks arising from our operations. The Company has also formed the Audit Committee comprising three independent non-executive Directors as part of our measures to improve corporate governance.

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 Board oversees risk management functions directly and also through the Audit Committee and the senior management, and will assess the effectiveness of the risk management and internal control systems at least once a year.

The Audit Committee take the responsibility to provide the Directors with an independent review of the effectiveness of the financial reporting process, internal control, and risk management system of the Group, to oversee the audit process, and to perform other duties and responsibilities as assigned by the Directors.

The senior management and major operation departments are responsible for organizing and coordinating the implementation and daily operation of internal control system. The senior management is also responsible for identifying and assessing the material business risk exposed to the Company, taking measures and reporting to the Audit Committee accordingly.

The Board and Audit Committee have evaluated the design and operating effectiveness of its internal control regarding the financial report for the year ended 31 December 2019, and did not identify any material weakness as a result of the evaluation, and were not aware of any areas of concern that would have a material impact on the Company's financial position or results of operations, and considered the risk management and internal control systems to be generally adequate and effective, including with respect to the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit and financial reporting functions. The Board considered the risk management and internal control systems for the year ended 31 December 2019 were adequate and effective.

The Company plans to continue strengthening the risk management and internal control policies by ensuring regular management review of relevant corporate governance measures and corresponding implementation.

Major risks of the Company

The Group is exposed to various risks in its business operations. The following highlights the principal risks the Group is susceptible to and is not meant to be exhaustive:

(i) the Group relied on the interactive advertising business and cannot assure it will continue to be successful;

(ii) if the Group fail to innovate as well as adapt and respond timely and effectively to rapidly changing technologies and new trends in online marketing, the interactive advertising business may become less competitive or obsolete;

(iii) the gross profit margin of the interactive advertising business may decrease as a result of the increase in revenue shared with media partners, which may adversely affect the profitability of the Group;

(iv) the mobile advertising market and the interactive advertising market in the PRC are competitive and the Group may not continue to compete successfully;

(v) regulatory or legislative developments for online businesses, including privacy and data protection regimes, are expansive, not clearly defined and rapidly evolving, and could create unexpected costs, subject the Group to enforcement actions for compliance failures, or restrict the business of the Group, or cause the Group to change its technology platform or business model; and

(vi) any significant or prolonged slowdown in the Chinese or global economy may have an adverse impact on the business, financial position and operation results of the Group.

For further details as the risks relating to the business of the Group and the industry in which the Group operates, please refer to the section headed "Risk Factors – Risks relating to our Business and Industry" in the Prospectus.

In order to reduce the risks mentioned above, the Group pays close attention to market, industry trends, regulatory and legislative developments and the following measures, among others, have been taken:

(i) regular meetings were held between the executive Directors and senior management to review and monitor the business and financial performance, so that potential risks and uncertainties can be identified and dealt with in proper and timely manner;

(ii) constantly promote the innovation and development of products and technologies, increase the investment in research and development, and recruit employees with rich experience in marketing and technology to enhance product competitiveness and market share;

(iii) continue to strengthen the cooperation with business partners both in user management SaaS business and interactive advertising business to achieve mutual benefits and joint development; and

(iv) maintains close contact with regulators to update the regulatory trends in real time and pay close attention to the new laws and regulations related to user management SaaS business and interactive advertising business.

Disclosure of Inside Information

As for the procedure for handling and publication of inside information as well as its internal control, the Company was aware of its responsibility under the SFO and has adopted relevant internal policies covering the definition and scope of inside information, guidelines on all insiders including Directors and accountability for breaches etc. to ensure that the handling and publication of inside information are in compliance with the SFO.

DIVIDEND POLICY

In order to ensure the Board maintains an appropriate procedure on declaring and recommending the dividend payment of the Company, a dividend policy was adopted by the Board on 17 April 2019 which aims to allow the Shareholders to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities.

The declaration of dividend is subject to the discretion of the Board. The Board may recommend payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and such other conditions and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to the Articles of Association, the Companies Law and any applicable laws and regulations. Any future declarations of dividend may or may not reflect our historical declarations of dividend and will be at the absolute discretion of our Directors.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditor to the Company for the year ended 31 December 2019 was approximately as follows:

Type of Services	**Amount**
	(RMB'000)
Audit services	2,480
Non-audit services	–
Total	2,480

JOINT COMPANY SECRETARIES

Mr. Wang Saibin ("**Mr. Wang**"), the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Ng Ka Man ("**Ms. Ng**"), a manager of TMF Hong Kong Limited (a global corporate services provider), as the other joint company secretary to assist Mr. Wang in the discharge of his duties as a company secretary of the Company. The primary corporate contact person at the Company is Mr. Wang.

For the year ended 31 December 2019, Mr. Wang and Ms. Ng had undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

The annual general meetings of the Company provide opportunity for the Shareholders to communicate directly with the Directors. The chairman of the Board and the chairmen of the Board Committees of the Company will attend the annual general meetings of the Company to answer Shareholders' questions. The Auditor will also attend the annual general meetings of the Company to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

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

SHAREHOLDERS' RIGHTS

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

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

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the address of the Company's principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong (email address: ir@duiba.com.cn).

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company adopted the amended and restated memorandum and articles of association on 17 April 2019, which have been effective from the Listing Date. During the Relevant Period, the said amended and restated memorandum and articles of association did not have any change.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Xiaoliang (陳曉亮), aged 28, was appointed as an executive Director on 26 February 2018. Mr. Chen is also the founder of the Group, the chairman of the Board and the chief executive officer of the Company. Mr. Chen is responsible for overseeing the strategic development and business operations of the Group. He received a bachelor of science degree in information and computing science from Hangzhou Normal University Qianjiang College, the PRC in June 2013. He founded HZ Duiba in May 2011 and served as a director from its establishment until April 2014, when he became the chief executive officer of HZ Duiba. Mr. Chen Xiaoliang also holds directorship in a subsidiary of the Company, Duiba Group (Hong Kong) Limited. Mr. Chen Xialiang is the director of XL Holding, a controlling shareholder of the Company.

Mr. Zhu Jiangbo (朱江波), aged 28, was appointed as an executive Director on 14 August 2018. Mr. Zhu is the chief operating officer of the Group and an executive Director. He received a bachelor of science degree in Electronic Information Engineering (Embedded Software Services) from Hangzhou Normal University Qianjiang College, the PRC in June 2014. He joined the Group in May 2014 and served as the chief marketing officer of the Group from May 2014 to March 2018, responsible for the formulation and execution of the overall marketing strategies of the Group. Mr. Zhu was appointed as president of HZ Youfen in March 2018 and is also responsible for the overall business operation and management of HZ Youfen since then. Mr. Zhu was promoted to the chief operating officer of the Group in August 2018 and he is responsible for the overall operation and management of the business of the Group.

Ms. Chen Ting (陳婷), aged 29, was appointed as an executive Director on 25 October 2019. Ms. Chen is responsible for the management of the Group's administrative and daily affairs, the formulation and implementation of the Group's internal policies and systems and maintaining internal and external communications of the Group. Ms. Chen received a bachelor of science degree in information and computing science from Hangzhou Normal University, the PRC in June 2013. She joined the Group in 2013 and is currently the chief administrative officer, general manager and legal representative of HZ Duiba. Ms. Chen also holds senior roles in subsidiaries of the Company, including as the manager and legal representative of HZ Tuia, Hangzhou Baiqi Internet Technology Co., Ltd.* (杭州百奇網絡科技有限公司) and Hangzhou Wanhai Entertainment Internet Technology Co., Ltd* (杭州玩嗨互娛網絡科技有限公司) and as general manager and legal representative of Hangzhou Maibaola Internet Technology Co., Ltd.* (杭州麥爆啦網絡科技有限公司). She is also a supervisor of several operating subsidiaries of the Company.

Mr. Cheng (程鵬) aged 31, was appointed as an executive Director on 2 March 2020. Mr. Cheng is responsible for overseeing the legal and regulatory affairs of the Group and providing leadership to legal and corporate governance functions of the Group. Mr. Cheng received a bachelor of laws degree, specialising in intellectual property, from East China University of Political Science and Law, the PRC in July 2012. He joined the Group in May 2018. Mr. Cheng worked (i) from October 2017 to May 2018 at Zhe Jiang Z&J Law Firm* (浙江浙經律師事務所) as a lawyer; (ii) from April 2016 to September 2017 in the investment banking division of the Zhejiang branch of Industrial Securities Co., Ltd.* (興業證券股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 601377) which provides a wide range of financial services including (1) brokerage, (2) loans and financing, (3) investment banking, (4) asset management, and (5) proprietary trading, where he was a manager and was responsible for monitoring the legal and regulatory aspects of corporate transactions; and (iii) from March 2013 to March 2016 at Zhejiang Zehow Law Firm* (浙江澤厚律師事務所) as a lawyer. Mr. Cheng is currently the general counsel of HZ Duiba and a supervisor of Hangzhou Nanjue Network Technology Co., Ltd.* (杭州南爵網絡科技有限公司).

NON-EXECUTIVE DIRECTORS

Mr. Huang Tao (黃韜), aged 35, was appointed as a non-executive Director on 31 May 2018. Mr. Huang is the managing director of Orchid Asia Group Management, Limited. Since 2010, Mr. Huang has been responsible for Orchid Asia's private equity investment in the telecom media and technology sector and matters relating to the management of the investment enterprises. Mr. Huang obtained a bachelor of commerce degree in finance from The University of International Business and Economics, the PRC in July 2006. Prior to joining Orchid Asia, from 2006 to 2010, Mr. Huang worked at McKinsey & Company, Shanghai.

Mr. William Peng (**former name: Peng Weilian** (彭惟廉)), aged 41, was appointed as a non-executive Director on 4 December 2019. Mr. Peng received a bachelor of science degree in computer science from Cornell University, the United States in May 2000. Since October 2019, Mr. Peng has been a partner at TPG where he is responsible for (i) conducting market and industry research and identifying potential investment opportunities in the PRC for the investment funds managed by TPG; and (ii) monitoring the investments made by the investment funds managed by TPG in the PRC. Mr. Peng also worked (i) from June 2015 to September 2019, at Uxin Limited, an online used car trading platform in the PRC whose shares are listed on the Nasdaq stock market (NASDAQ: UXIN), where Mr. Peng was the chief operating officer and was responsible for the overall operation including sales, marketing, supply chain management, logistics and fulfilment, human resources and organisation management; (ii) from August 2006 to June 2015, at Warburg Pincus Asia LLC with his last position as an executive director with a focus on deal sourcing in the PRC telecommunications, media and technology sector; (iii) from August 2002 to August 2006, at SINA Corporation, a Chinese technology company whose shares are listed on the Nasdaq stock market (NASDAQ: SINA), where his last position was senior director in the online games division of the company; and (iv) from July 2000 to July 2002, at Deutsche Bank Securities, where Mr. Peng was an analyst in its mergers, acquisitions & corporate advisory group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kam Wai Man (甘偉民), aged 44, was appointed as an independent non-executive Director on 17 April 2019. Mr. Kam has over 15 years of experience in corporate finance. Mr. Kam has served as a managing director of Innovax Capital Limited ("**Innovax Capital**") since February 2017. He has been a responsible officer of Innovax Capital for Type 6 regulated activities (advising on corporate finance) under the SFO since April 2017 and Mr. Kam is one of the sponsor principals of Innovax Capital.

From April 2003 to November 2005, he served as a licensed representative at Kingsway Capital Limited. He then worked at China Everbright Capital Limited from November 2005 to February 2017 with his last position being the managing director and head of the corporate finance department.

Mr. Kam obtained a bachelor of arts (Honors) in business studies from City University of Hong Kong in November 1997 and a Postgraduate Diploma in Professional Accountancy from the Chinese University of Hong Kong in December 2004. He is a member of the Hong Kong Institute of Certified Public Accountants and a CFA Institute charterholder. Since January 2020, Mr. Kam has served as an independent non-executive director of Wealthy Way Group Limited, a company listed on the Stock Exchange (stock code: 3848).

DIRECTORS AND SENIOR MANAGEMENT

Dr. Ou-Yang Hui (歐陽輝), aged 57, was appointed as an independent non-executive Director on 17 April 2019. Dr. Ou-Yang is the Dean's Distinguished Chair Professor of Finance and the academic director for executive master of business administration program at Cheung Kong Graduate School of Business. Dr. Ou-Yang obtained a doctor of philosophy degree from Tulane University, the United States in December 1990, and a doctor of philosophy degree in business administration from the University of California, Berkeley, the United States in May 1998.

Dr. Ou-Yang is also a distinguished professor of the China Securities Regulatory Commission China Capital Market Institute (資本市場學院). Since August 2017, he has been an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd., a company listed on the Stock Exchange (stock code: 2318). He has also served as managing director of the fixed income division of Lehman Brothers Japan Inc. for three years.

Dr. Gao Fuping (高富平), aged 56, was appointed as an independent non-executive Director on 17 April 2019. Dr. Gao obtained a bachelor's degree in political science from the China University of Political Science and Law, the PRC in July 1987, a master's degree in law from Shanxi University, the PRC in July 1993 and a doctor's degree in civil commercial law from China University of Political Science and Law, the PRC in July 1998. In September 1995, Dr. Gao was admitted as a qualified lawyer by the Ministry of Justice of the PRC. In September 2001, he was recognised as a "Shu Guang" scholar (曙光學者) by the Shanghai Municipal Education Commission (上海市教育委員會) and the Shanghai Educational Development Foundation (上海市教育發展基金會).

Since July 1998, Dr. Gao has lectured in East China University of Political Science and Law, the PRC ("**ECUPL**") and has served as lecturer, associate professor, and professor. From 2004 to 2014, Dr. Gao served as dean of the Intellectual Property School at the ECUPL. Since March 2014, Dr. Gao has served as dean of Property Law Research Institute of the ECUPL. Since July 2018, Dr. Gao has served as a senior partner at Watson & Band Law Offices, Shanghai, the PRC.

In addition, Dr. Gao acted as an independent non-executive director of Founder Broadband Network Service Company Limited (方正寬帶網絡服務股份有限公司), a joint stock company established in the PRC, which was converted into Founder Broadband Network Services Co., Ltd. (方正寬帶網絡服務有限公司) in April 2014. Since August 2013, Dr. Gao has served as an independent non-executive director of Wuxi Sunlit Science and Technology Company Limited (無錫盛力達科技股份有限公司), a company listed on the Stock Exchange (stock code: 1289).

SENIOR MANAGEMENT

Mr. Chen Xiaoliang (陳曉亮), Chief Executive Officer of the Company – see the paragraph under "Executive Directors" above.

Mr. Zhu Jiangbo (朱江波), Chief Operating Officer of the Company – see the paragraph under "Executive Directors" above.

Mr. Chen Xiuyi (陳秀義), aged 37, is the chief technology officer of the Group and is mainly responsible for researching and discovering forward-looking technology structures and solutions in relation to the products and services of the Company and leading the Company's continuous effort to upgrade its technology capability, in particular, in big data and advertisement recommendation calculations. Mr. Chen has extensive experience in the application of calculation technologies relating to online advertising. Before he joined the Company in April 2020, he worked at (i) Baidu, Inc. (a Chinese Internet company whose shares are listed on the Nasdaq Stock Market (NASDAQ: BIDU) and which is primarily engaged in the provision of search engine services); (ii) 58.com Inc. (a Chinese Internet company whose shares are listed on the New York Stock Exchange (NYSE: WUBA) and which is primarily engaged in the operation of an online marketplace that serves local merchants and customers in the PRC); and (iii) Alibaba Group Holding Limited (a Chinese Internet company whose shares are listed on the New York Stock Exchange (NYSE: BABA) and the Stock Exchange (stock code: 9988) and which is primarily engaged in the operation of e-commerce online platforms) as a search algorithm expert.

Mr. Lyu Bin (呂斌), aged 30, is the vice president of the Group. Mr. Lyu received a bachelor of science degree in materials science and engineering from Shanghai Jiao Tong University, the PRC in July 2010. Mr. Lyu joined the Group in June 2016 as project general manager of HZ Duiba, and then served as operational general manager of HZ Tuia from December 2016 to June 2017, and served as the operational vice president of the Group from June 2017 to June 2019. Subsequently, Mr. Lyu has been promoted and serving as the senior vice president of the Group from June 2019.

Prior to joining the Group, from July 2010 to May 2016, Mr. Lyu worked at Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司), a company engaged in, among other things, the research and development of computer software and hardware, network technology products and multimedia products, where he occupied the roles as channel specialist, sales specialist, senior account manager, senior channel specialist, senior operations specialist, senior business specialist and self-service development specialist.

Mr. Yi Bingmin (易炳民), aged 40, is the financial controller of the Group. He has over ten years of experience in accounting and financial management. He received an associate degree in accounting from Henan University of Finance of Economics (河南財經學院), the PRC in June 2005, and later he obtained a bachelor of finance degree from Dongbei University of Finance and Economics (東北財經大學), the PRC in July 2013 through online courses. Mr. Yi became a non-practicing member of the Zhejiang Institute of Certified Public Accountants in May 2010.

Mr. Yi joined the Group in October 2017 as our financial controller. Prior to joining the Group, he was an assistant auditor at Henan Provincial Xi County Auditing Office (河南省息縣審計師事務所), an auditing firm, from 2001 to 2002. Subsequently, from 2002 to 2009, he worked as finance supervisor at SF Express (順豐速運), a courier service provider. Mr. Yi then served as finance manager of Dunan Group Holdings Co., Ltd. (盾安控股集團有限公司), a company which businesses includes precision manufacturing, advanced equipment, civil explosives, new energy, agriculture and investment management, from June 2009 to December 2010, and as deputy secretary of finance at Zhejiang Dunan Supply Chain Co., Ltd. (浙江盾安供應鏈有限公司), a one-stop supply chain service provider, from January 2011 to August 2012. Later, Mr. Yi served as deputy financial controller at Tiantian Express Co., Ltd. (天天快遞有限公司), a courier service provider, from August 2012 to September 2014, and as financial controller at Hangzhou Fast Car Network Technology Co., Ltd. (杭州快搶車網絡科技有限公司), an online automotive retail platform operator, from August 2015 to August 2017.

Mr. Yao Wenquan (么文權), aged 33, is the senior vice president of user management SaaS platform business and mainly responsible for the market development, marketing management and service management of the user management SaaS platform business. Mr. Yao graduated from Dalian Maritime University and joined the Group in November 2019. Mr. Yao has a wealth of experience in marketing and management in the field of Chinese business software.

Ms. Li Chunting (李春婷), aged 31, is the senior vice president of interactive advertising business. Ms. Li graduated from Chongqing University of Posts and Telecommunications. After joined the Group in June 2017, Ms. Li has engaged in the data mining analysis, operation strategy formulation and implementation and operation team management, and has held important positions within the Group.

Mr. Lu Wen (陸文), aged 28, is the senior vice president of user management SaaS platform business and mainly responsible for the strategy formulation and implementation of the user management SaaS platform business. Mr. Lu graduated from Zhejiang A & F University. After joined the Group in June 2016, Mr. Lu has engaged in the marketing and operation and has extensive experience in enterprise customer service.

Mr. Huang Chaoqi (黃超奇), aged 31, is the senior vice president of innovative business and mainly responsible for the marketing strategy formulation and implementation of the innovative business. Mr. Huang graduated from The University of New South Wales, joined the Group in August 2019, and has wealth experience in marketing team management.

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EY 安永

Independent auditor's report
To the shareholders of Duiba Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Duiba Group Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 60 to 149, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

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

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
As at 31 December 2019, the net carrying value of the Group's trade receivables amounted to RMB146,586,000 after netting off a loss allowance for impairment of RMB148,000, representing 9% of the Group's total assets. The impairment of trade receivables was assessed based on the expected credit loss model. The assessment of expected credit losses of trade receivables was performed at 31 December 2019 using simplified approach which involved significant management's judgement and estimation including their assessment of customers' current financial positions and forward-looking information. The assessment is highly judgmental. The Group's disclosures about the impairment assessment of trade receivables are included in notes 2.5, 3 and 17 in the financial statements.	We evaluated the expected credit loss provision methodology used by the Group. We also evaluated management's assessment on the estimates of customers' current financial positions and the forward-looking adjustments by reviewing the detailed analyses of the ageing of the receivables, testing on a sample basis, payments received subsequent to year end and historical payment patterns, reviewing correspondence related to any disputes between the parties involved and market information about the credit status of the counterparties, where available, and evaluating the analyses of influence from macroeconomics on the loss rates of the Group's customers.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT (continued)

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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.

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**1,651,636**	1,137,032
Cost of sales		**(1,084,138)**	(708,119)
Gross profit		**567,498**	428,913
Other income and gains	5	**31,942**	13,222
Selling and distribution expenses		**(105,185)**	(107,156)
Administrative expenses		**(221,813)**	(173,554)
Changes in fair value of financial liabilities at fair value through profit or loss	7	**(475,790)**	(453,592)
Other expenses		**(5,774)**	(1,139)
Finance costs	8	**(244)**	(5,772)
LOSS BEFORE TAX	6	**(209,366)**	(299,078)
Income tax credit	11	**9,562**	7,496
LOSS FOR THE YEAR		**(199,804)**	(291,582)
Attributable to:			
Owners of the parent		**(199,804)**	(291,582)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**52,299**	(33,572)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**52,299**	(33,572)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(147,505)**	(325,154)
Attributable to:			
Owners of the parent		**(147,505)**	(325,154)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
BASIC AND DILUTED (RMB)	13	**(21.9) cents**	(44.0) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**5,238**	8,930
Intangible assets	15	**679**	894
Right-of-use assets	16(a)	**3,494**	–
Deferred tax assets	24	**20,863**	10,877
Prepayments, other receivables and other assets	18	**1,606**	1,979
Total non-current assets		**31,880**	22,680
CURRENT ASSETS			
Trade receivables	17	**146,586**	114,963
Prepayments, other receivables and other assets	18	**124,155**	46,570
Financial assets at fair value through profit or loss	19	**1,072,857**	426,172
Cash and cash equivalents	20	**220,779**	281,565
Total current assets		**1,564,377**	869,270
CURRENT LIABILITIES			
Trade payables	21	**101,853**	63,209
Other payables and accruals	22	**109,277**	88,443
Contract liabilities		**20,455**	20,657
Lease liabilities	16(b)	**2,988**	–
Total current liabilities		**234,573**	172,309
NET CURRENT ASSETS		**1,329,804**	696,961
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,361,684**	719,641
NON-CURRENT LIABILITIES			
Lease liabilities	16(b)	**445**	–
Deferred tax liabilities	24	**672**	248
Financial liabilities at fair value through profit or loss	23	**–**	1,151,391
Total non-current liabilities		**1,117**	1,151,639
Net assets/(liabilities)		**1,360,567**	(431,998)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	**72**	44
Treasury shares	25	**(108,565)**	–
Reserves	26	**1,469,060**	(432,042)
Total equity/(net deficiency in assets)		**1,360,567**	(431,998)

Mr. Chen Xiaoliang
Director

Ms. Chen Ting
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent							
	Share capital	Treasury shares	Share premium account*	Capital reserve*	Statutory surplus reserve*	Accumulated losses*	Exchange fluctuation reserve*	Total equity
	RMB'000 (note 25)	RMB'000 (note 25)	RMB'000 (note 25)	RMB'000 (note 26)	RMB'000 (note 26)	RMB'000	RMB'000	RMB'000
At 1 January 2019	44	–	32,175	(118,597)	25,125	(337,173)	(33,572)	(431,998)
Loss for the year	–	–	–	–	–	(199,804)	–	(199,804)
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	–	–	–	–	–	–	52,299	52,299
Total comprehensive income/(loss) for the year	–	–	–	–	–	(199,804)	52,299	(147,505)
Equity-settled share award (note 27)	–	–	–	28,769	–	–	–	28,769
Issue of shares for the initial public offering	8	–	574,632	–	–	–	–	574,640
Share issue expenses	–	–	(26,727)	–	–	–	–	(26,727)
Repurchase of shares	–	(138,135)	–	–	–	–	–	(138,135)
Cancellation of treasury shares	(1)	29,570	(29,569)	–	–	–	–	–
Conversion of preferred shares issued to the then shareholders to ordinary shares	21	–	1,600,628	–	–	–	–	1,600,649
Interim 2019 dividend declared	–	–	(99,126)	–	–	–	–	(99,126)
Transfer to statutory reserves	–	–	–	–	20,291	(20,291)	–	–
At 31 December 2019	72	(108,565)	2,052,013	(89,828)	45,416	(557,268)	18,727	1,360,567

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent						
	Share capital	Share premium account*	Capital reserves*	Statutory surplus reserve*	Accumulated losses*	Exchange fluctuation reserve*	Total equity
	RMB'000 (note 25)	RMB'000 (note 25)	RMB'000 (note 26)	RMB'000 (note 26)	RMB'000	RMB'000	RMB'000
At 1 January 2018	–	–	9,277	10,803	(12,091)	–	7,989
Loss for the year	–	–	–	–	(291,582)	–	(291,582)
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	–	–	–	–	–	(33,572)	(33,572)
Total comprehensive loss for the year	–	–	–	–	(291,582)	(33,572)	(325,154)
Equity-settled share award (note 27)	–	–	11,662	–	–	–	11,662
Issue of shares	49	35,530	–	–	–	–	35,579
Repurchase of shares	(5)	(3,355)	(252,530)	–	–	–	(255,890)
Conversion of preferred shares issued to the then shareholders to ordinary shares	–	–	154,044	–	–	–	154,044
Acquisition of equity interests in subsidiaries from the then shareholders	–	–	(41,050)	–	(950)	–	(42,000)
Dividends paid to the then shareholders	–	–	–	–	(18,228)	–	(18,228)
Transfer to statutory reserve	–	–	–	14,322	(14,322)	–	–
At 31 December 2018	44	32,175	(118,597)	25,125	(337,173)	(33,572)	(431,998)

* These reserve accounts comprise the consolidated reserves of RMB1,469,060,000 (2018: RMB(432,042,000)) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(209,366)**	(299,078)
Adjustments for:			
Bank interest income	5	**(3,111)**	(2,462)
Investment income from financial assets at fair value through profit or loss	5	**(19,172)**	(8,021)
Foreign exchange loss/(gain), net	6	**4,445**	(153)
Loss on disposal of items of property, plant and equipment	6	**121**	947
Depreciation of property, plant and equipment	14	**5,026**	3,081
Changes in fair value of financial assets at fair value through profit or loss	5	**(1,586)**	(2,128)
Amortisation of intangible assets	15	**305**	102
Finance costs	8	**–**	5,772
Changes in fair value of financial liabilities at fair value through profit or loss	7	**475,790**	453,592
Equity-settled share award expense		**28,769**	11,662
Depreciation of right-of-use assets	16(a)	**6,194**	–
Impairment of trade receivables, net	17	**44**	613
		287,459	163,927
Increase in trade receivables		**(31,667)**	(101,102)
Increase in prepayments, other receivables and other assets		**(77,235)**	(34,368)
Decrease in inventories		**–**	188
Increase/(decrease) in trade payables		**38,644**	(29,878)
Decrease in contract liabilities		**(202)**	(6,865)
Increase/(decrease) in other payables and accruals		**20,834**	(1,752)
Cash generated from/(used in) operations		**237,833**	(9,850)
Interest received		**3,111**	2,462
Income tax paid		**–**	(184)
Tax refund		**23**	149
Net cash flows from/(used in) operating activities		**240,967**	(7,423)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		**1,411**	279
Purchases of items of property, plant and equipment		**(2,866)**	(9,361)
Purchases of financial assets at fair value through profit or loss		**(3,065,898)**	(1,564,013)
Proceeds from disposal of financial assets at fair value through profit or loss		**2,441,703**	1,372,876
Acquisition of equity interests in subsidiaries from the then shareholders		**–**	(42,000)
Repayment of advances to a director		**–**	11,888
Purchases of intangible assets	15	**(90)**	(900)
Net cash flows used in investing activities		**(625,740)**	(231,231)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from financial liabilities at fair value through profit or loss		**–**	712,005
Principal portion of lease payments	16(b)	**(6,255)**	–
Dividends paid to the then shareholders		**–**	(18,228)
Dividends paid to preferred shareholders		**–**	(5,772)
Dividends paid		**(99,126)**	–
Proceeds from issue of shares	25	**574,640**	35,579
Share issue expenses	25	**(26,727)**	–
Repurchase of preferred shares		**–**	(64,144)
Repurchase of shares		**(138,135)**	(255,890)
Net cash flows from financing activities		**304,397**	403,550
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(80,376)**	164,896
Net foreign exchange difference		**19,590**	25,879
Cash and cash equivalents at beginning of year		**281,565**	90,790
CASH AND CASH EQUIVALENTS AT END OF YEAR		**220,779**	281,565
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows	20	**220,779**	281,565

1. CORPORATE AND GROUP INFORMATION

Duiba Group Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 26 February 2018. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY-1111, Cayman Islands. On 7 May 2019, the shares of the Company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The Company's subsidiaries are principally involved in user management Software-as-a-Service ("**SaaS**") platform business and interactive advertising business.

In the opinion of the directors, the ultimate holding company of the Company is Xiaoliang Holding Limited. which is incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Duiba Group (Hong Kong) Limited ("**Duiba HK**")	Hong Kong 11 April 2018	Hong Kong dollar ("**HK$**") 1	100%	–	Investment holding
Hangzhou Duiba Internet Technology Co., Ltd. ("**HZ Duiba**") 杭州兑吧網絡科技有限公司 (i)	People's Republic of China (the "**PRC**")/ Mainland China 13 May 2011	Renminbi ("**RMB**") 1,586,894	–	100%	User management SaaS platform/ interactive advertising
Hangzhou Tuia Internet Technology Co., Ltd. ("**HZ Tuia**") 杭州推啊網絡科技有限公司 (ii)	PRC/Mainland China 22 September 2016	RMB 50,000,000	–	100%	Interactive advertising
Hangzhou Baiqi Internet Technology Co., Ltd. 杭州百奇網絡科技有限公司 (ii) (iii)	PRC/Mainland China 16 November 2016	RMB1,000,000	–	100%	Interactive advertising
Khorgas Tuia Internet Technology Co., Ltd. ("**Khorgas Tuia**") 霍爾果斯推啊網絡科技有限公司 (ii)	PRC/Mainland China 25 January 2018	RMB10,000,000	–	100%	Interactive advertising

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Wanhai Entertainment Internet Technology Co., Ltd 杭州玩嗨互娛網絡科技有限公司 (ii) (iii)	PRC/Mainland China 2 January 2018	RMB1,000,000	–	100%	Interactive advertising
Hangzhou Maiquan Network Technology Co., Ltd. 杭州麥全網絡科技有限公司 (ii)	PRC/Mainland China 28 December 2017	RMB1,000,000	–	100%	Interactive advertising
Hangzhou Nanjue Network Technology Co., Ltd. 杭州南爵網絡科技有限公司 (ii)	PRC/Mainland China 15 January 2018	RMB1,000,000	–	100%	Interactive advertising
Hangzhou Duia Network Technology Co., Ltd. 杭州兑啊網絡科技有限公司 (ii)	PRC/Mainland China 15 January 2018	RMB1,000,000	–	100%	Digital paid-for content
Hangzhou Maitong Network Technology Co., Ltd. 杭州麥同網絡科技有限公司 (ii)	PRC/Mainland China 29 March 2018	RMB1,000,000	–	100%	Interactive advertising
Huocheng Duijie Internet Technology Co., Ltd. ("**Huocheng Duijie**") 霍城兑捷網絡科技有限公司 (ii)	PRC/Mainland China 20 June 2019	RMB10,000,000	–	100%	Interactive advertising

Notes:

(i) The entity is registered as a wholly-foreign-owned entity under PRC Law.

(ii) These entities are limited liability enterprises established under PRC law.

(iii) During the year, Hangzhou Baiqi Internet Technology Co., Ltd. and Hangzhou Wanhai Entertainment Internet Technology Co., Ltd. have been deregistered and the deregistration was completed on 6 January 2020 and 3 January 2020, respectively.

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

2.1 BASIS OF PRESENTATION

To rationalise the corporate structure in preparation for the listing of the Company's shares on the Stock Exchange, the Company underwent a group reorganisation (the "**Reorganisation**"), further details of which are set out in the Company's prospectus dated 24 April 2019. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 28 May 2018. As the Reorganisation only involved inserting new holding companies at the top of an existing company, that have not resulted in a change of respective voting and beneficial interests, the consolidated financial statements for the year ended 31 December 2018 have been presented as a continuation of the then holding company by applying the principles of merger accounting. Accordingly, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Company and its subsidiaries for the year ended 31 December 2018 have been prepared as if the current group structure had been in existence throughout that year. The consolidated statement of financial position as at 31 December 2018 has been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at that date.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investments in financial products and preferred shares, which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.2 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

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

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

New definition of a lease

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

***New definition of a lease* (continued)**

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

Impacts on transition

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Classification and measurement

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

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

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

	RMB'000
Assets	
Increase in right-of-use assets	8,358
Liabilities	
Increase in lease liabilities	8,358

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

	RMB'000
Operating lease commitments as at 31 December 2018	8,875
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(401)
	8,474
Weighted average incremental borrowing rate as at 1 January 2019	4.35%
Discounted operating lease commitments at 1 January 2019	8,759
Lease liabilities as at 1 January 2019	8,358

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] No mandatory effective date yet determined but available for adoption

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs.

Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

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

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

 (ii) has significant influence over the Group; or

 (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

 (i) the entity and the Group are members of the same group;

 (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

 (iii) the entity and the Group are joint ventures of the same third party;

 (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

 (vi) the entity is controlled or jointly controlled by a person identified in (a);

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies: (continued)

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Leasehold improvements	50%
Plant and machinery	31.67%
Office equipment	9.5%-31.67%
Motor vehicles	9.5%-23.75%

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

Intangible assets (other than goodwill)

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

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 1 to 5 years.

Research and development costs

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

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019)

Group as a lessee

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

(a) Right-of-use assets

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

Buildings	1 to 2 years

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

(b) Lease liabilities

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(b) Lease liabilities (continued)

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

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in comprehensive income. Upon derecognition, the cumulative fair value change recognised in comprehensive income is recycled to profit or loss.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under HKFRS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement **(continued)**

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Group has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

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

General approach

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition as financial liabilities at fair value through profit or loss, or payables loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables and financial liabilities at fair value through profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

The Group designated the preferred shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognise as finance costs in profit or loss.

Financial liabilities at amortised cost

After initial recognition, financial liabilities included in trade and other payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers
The Group is mainly in the business of providing interactive advertising services. Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for goods or services transferred to the customer. The Group recognises revenue when it transfers control over a product or service to the counterparty.

(a) Interactive advertising services

Revenue from interactive advertising services is recognised at a point in time when the services are rendered based on the consumption of advertising fees.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts provide customers with a right of volume rebates. The rights of volume rebates give rise to variable consideration.

The Group provides retrospective volume rebates to certain customers once the volume of advertising consumption during the period exceeds a threshold specified in the contract. Rebates are recharged to the customers' accounts in the Group's advertising system. To estimate the variable consideration for the expected future rebates, the Group applies the expected value method for all contracts as there was more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liabilities for the expected future rebates.

(ii) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in HKFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) User management SaaS platform business

SaaS services included in user management SaaS platform business is at a point time or recognised over time when the services are rendered based on the deduction of prepayment from applications.

(c) Sale of goods

Revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(d) Claw crane challenge

Revenue from the provision of claw crane challenge in an app is recognised at a point in time when the user has consumed the coins.

There are no variable consideration and significant financing component for the User management SaaS platform business, the sale of goods and the claw crane challenge.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Principal versus agent consideration

In accordance with the principal versus agent consideration prescribed by HKFRS 15, the principal is the entity that has promised to provide goods or services to its customers. An agent arranges for goods or services to be provided by the principal to its end customer. An agent normally receives a commission or fee for these activities. The Group is primarily responsible for fulfilling the services and has discretion in establishing prices, and accordingly, the Group acts as a principal, and the related revenue is presented on a gross basis.

Contract liabilities

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the shares at the date at which they are granted. The fair value is measured at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period, further details of which are given in note 27 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension scheme

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

Dividends

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

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

Foreign currencies

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

The functional currencies of certain overseas subsidiaries are currencies other than Renminbi. As at the end of the reporting period, the assets and liabilities of these entities were translated into Renminbi at the exchange rates prevailing at the end of the reporting period and their profits or losses were translated into Renminbi at the weighted average exchange rates for the year.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

There is no significant effect on the amounts recognised in the financial statements arising from the judgements, apart from those involving estimations, made by management in the process of applying the Group's accounting policies.

Estimation uncertainty

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details are disclosed in note 24 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the financial statements.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

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

	2019	2018
	RMB'000	RMB'000
Customer 1	310,531	N/A*
Customer 2	255,754	194,466
Customer 3	237,602	N/A*
Customer 4	188,015	N/A*
Customer 5	173,950	119,575
Customer 6	N/A*	184,758

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers		
User management SaaS platform business	33,655	13,661
Interactive advertising business	1,617,843	1,110,108
Others	138	13,263
	1,651,636	1,137,032

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

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

	2019	2018
	RMB'000	RMB'000
Timing of revenue recognition		
Over time		
– SaaS services included in user management SaaS platform business	25,588	4,102
– Others	–	1,237
	25,588	5,339
At a point in time		
– Other services included in user management SaaS platform business	8,067	9,559
– Interactive advertising business	1,617,843	1,110,108
– Others	138	12,026
	1,626,048	1,131,693
	1,651,636	1,137,032

The Group recognised the following revenue-related contract liabilities:

	2019	2018
	RMB'000	RMB'000
Current	20,455	20,657

(i) Significant changes in contract liabilities

Contract liabilities represent the obligations to transfer services to a counterparty for which the Group has received consideration. The changes in the contract liabilities are mainly attributable to the change of the scale of sales of the interactive advertising business and user management SaaS platform business during the relevant contract period subsequent to the end of the year.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

(ii) Revenue recognised in relation to contract liabilities

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period.

	2019	2018
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	20,657	27,522

(iii) Unsatisfied performance obligations

The following table shows the unsatisfied performance obligations as at 31 December.

	2019	2018
	RMB'000	RMB'000
Amount expected to be recognised as revenue:		
Within one year		
– Volume rebate	1,829	14,831
– Deferred revenue	18,626	5,826
	20,455	20,657

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

Other income and gains		
Bank interest income	3,111	2,462
Government grants*	7,566	106
Investment income from financial assets at fair value through profit or loss	19,172	8,021
Changes in fair value of financial assets at fair value through profit or loss	1,586	2,128
Foreign exchange gain, net	–	153
Others	507	352
	31,942	13,222

* The amount represents grants received from the government authorities of Mainland China by the Group's subsidiaries in connection with certain financial support to local business enterprises for the purpose of encouraging business development and additional deductions of input value-added tax. There are no unfulfilled conditions or contingencies relating to these grants.

6. LOSS BEFORE TAX

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

		2019	2018
	Notes	RMB'000	RMB'000
Cost of inventories sold		6,232	2,548
Cost of services provided		1,077,906	705,571
Depreciation of property, plant and equipment	14	5,026	3,081
Depreciation of right-of-use assets	16(a)	6,194	–
Amortisation of intangible asset*	15	305	102
Bank interest income		(3,111)	(2,462)
Foreign exchange loss/(gain), net		4,445	(153)
Loss on disposal of items of property, plant and equipment		121	947
Impairment of trade receivables, net	17	44	613
Changes in fair value of financial assets at fair value through profit or loss		(1,586)	(2,128)
Investment income from financial assets at fair value through profit or loss		(19,172)	(8,021)
Research and development costs		106,623	88,835
Minimum lease payments under operating leases		–	5,698
Lease payments not included in the measurement of lease liabilities	16(c)	928	–
Auditor's remuneration		2,480	–
Listing expenses		35,226	25,188
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):			
Wages and salaries		138,293	118,221
Equity-settled share award expense		27,877	11,384
Pension scheme contributions		8,907	13,125
Staff welfare expense		33,585	39,497
		208,662	182,227

* The amortisation of intangible assets for the year is included in "Administrative expenses" in profit or loss.

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

	2019	2018
	RMB'000	RMB'000
Changes in fair value	475,790	453,592

The Group designated the preferred shares as financial liabilities at fair value through profit or loss which are measured at fair value with changes in fair value through profit or loss recognised in profit or loss during the year.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	RMB'000
Interest on lease liabilities	244	–
Dividends on redeemable preferred shares (classified as financial liabilities at fair value through profit or loss)	–	5,772
	244	5,772

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Group	
	2019	2018
	RMB'000	RMB'000
Fees	**317**	–
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**1,578**	1,421
Equity-settled share award and option expense	**892**	863
Pension scheme contributions	**117**	104
	2,587	2,388
	2,904	2,388

During the year and in prior years, certain directors were granted shares and options, in respect of their services to the Group, under the share award and option scheme of the Company, further details of which are set out in note 38 to the financial statements. The fair value of such shares and options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2019	2018
	RMB'000	RMB'000
Mr Kam Wai Man	**107**	–
Dr. Ou-Yang hui	**150**	–
Dr. Gao Fuping	**60**	–
	317	–

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and the chief executive

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award and option expense	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
2019				
Executive directors:				
Mr. Chen Xiaoliang*	**324**	**28**	**–**	**352**
Mr. Fang Hua**	**270**	**28**	**–**	**298**
Mr. Zhu Jiangbo	**623**	**28**	**610**	**1,261**
Ms. Chen Ting**	**44**	**5**	**282**	**331**
Mr. Xu Hengfei	**317**	**28**	**–**	**345**
	1,578	**117**	**892**	**2,587**
2018				
Executive directors:				
Mr. Chen Xiaoliang*	399	26	–	425
Mr. Fang Hua	336	26	–	362
Mr. Zhu Jiangbo	332	26	863	1,221
Mr. Xu Hengfei	354	26	–	380
	1,421	104	863	2,388

* Mr. Chen Xiaoliang is also the chief executive officer of the Company.

** Mr. Fang Hua resigned as an executive director on 25 October 2019. Ms. Chen Ting was appointed as an executive director on 25 October 2019.

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2018: one director), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining four (2018: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019	2018
	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	**2,948**	4,033
Pension scheme contributions	**112**	145
Equity-settled share award and option expense	**3,097**	1,620
	6,157	5,798

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

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**1**	3
HK$1,500,001 to HK$2,000,000	**2**	1
HK$2,000,001 to HK$2,500,000	**1**	–
	4	4

During the year and in prior years, shares and options were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 27 to the financial statements. The fair value of such shares and options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2018:16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the relevant income tax law, the PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for HZ Duiba, HZ Tuia, Khorgas Tuia and Huocheng Duijie.

HZ Duiba and HZ Tuia are certified as Software Enterprises and are exempted from income tax for two years starting from the first year in which they generate taxable profit, followed by a 50% reduction for the next three years.

HZ Duiba and HZ Tuia are qualified as Software Enterprises and were subject to a preferential income tax rate of 12.5% (2018: 0%) during the year.

Khorgas Tuia was established in Khorgas Development Zone of Xinjiang on 25 January 2018, which is exempted from income tax from the first year of operation for a 5-year period according to the regulations set out by the local authority. Since Khorgas Tuia started operation in 2018, the tax exemption period commenced from the year of 2018.

Huocheng Duijie was established in Khorgas Development Zone of Xinjiang on 20 June 2019, which is exempted from income tax from the first year of operation for a 5-year period according to the regulations set out by the local authority. Since Huocheng Duijie started operation in 2019, the tax exemption period commenced from the year of 2019.

11. INCOME TAX (continued)

The major components of income tax credit of the Group during the year are analysed as follows:

	2019	2018
	RMB'000	RMB'000
Current tax:		
Charge for the year	–	–
Deferred tax (note 24)	(9,562)	(7,496)
Total tax credit for the year	(9,562)	(7,496)

A reconciliation of the tax credit applicable to loss before tax at the statutory rate to the tax credit at the effective tax rate is as follows:

	2019	2018
	RMB'000	RMB'000
Loss before tax	(209,366)	(299,078)
Tax at the tax rate of 25%	(52,342)	(74,770)
Effect of tax rate differences in other jurisdictions	125,843	82,372
Effect of preferential lower tax rates entitled	(85,826)	(13,976)
Additional deduction allowance for research and development costs	(9,404)	(878)
Expenses not deductible for tax	8,158	3,884
Effect on different of tax rate between current tax and deferred tax	(4,892)	(7,496)
Tax losses not recognised	8,901	3,368
Tax credit at the Group's effective rate	(9,562)	(7,496)

12. DIVIDENDS

	2019	2018
	RMB'000	RMB'000
Interim – RMB9.0 cents (2018: Nil) per ordinary share	99,126	–

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

The calculation of the basic earnings per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year, as adjusted for the assumption that the share subdivision had been completed on 1 January 2018. The number of shares for the years ended 31 December 2019 and 2018 have been arrived at after eliminating the shares of the Company held under the restricted stock unit and scheme and shares repurchased.

The calculation of basic and diluted loss per share are based on:

	2019	2018
	RMB'000	RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent	(199,804)	(291,582)

	Number of shares	
	2019	2018
Shares		
Weighted average number of shares in issue during the year	911,362,139	663,397,011

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of the restricted stock unit, restricted stock unit option and preferred shares outstanding had an anti-dilative effect on the basic loss per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and machinery	Office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2019					
At 1 January 2019:					
Cost	5,691	–	6,474	359	12,524
Accumulated depreciation	(1,680)	–	(1,741)	(173)	(3,594)
Net carrying amount	4,011	–	4,733	186	8,930
At 1 January 2019, net of accumulated depreciation	4,011	–	4,733	186	8,930
Additions	265	–	1,105	1,496	2,866
Disposals	–	–	(748)	(784)	(1,532)
Depreciation provided during the year	(3,080)	–	(1,849)	(97)	(5,026)
At 31 December 2019, net of accumulated depreciation	1,196	–	3,241	801	5,238
At 31 December 2019:					
Cost	5,567	–	6,710	1,022	13,299
Accumulated depreciation	(4,371)	–	(3,469)	(221)	(8,061)
Net carrying amount	1,196	–	3,241	801	5,238

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements	Plant and machinery	Office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018					
At 1 January 2018:					
Cost	853	370	3,472	359	5,054
Accumulated depreciation	(421)	–	(894)	(139)	(1,454)
Net carrying amount	432	370	2,578	220	3,600
At 1 January 2018, net of accumulated depreciation	432	370	2,578	220	3,600
Additions	4,838	542	4,257	–	9,637
Disposals	–	(699)	(527)	–	(1,226)
Depreciation provided during the year	(1,259)	(213)	(1,575)	(34)	(3,081)
At 31 December 2018, net of accumulated depreciation	4,011	–	4,733	186	8,930
At 31 December 2018:					
Cost	5,691	–	6,474	359	12,524
Accumulated depreciation	(1,680)	–	(1,741)	(173)	(3,594)
Net carrying amount	4,011	–	4,733	186	8,930

15. INTANGIBLE ASSETS

	Software
	RMB'000
31 December 2019	
At 1 January 2019:	
Cost	**999**
Accumulated amortisation	**(105)**
Net carrying amount	**894**
Additions	**90**
Amortisation provided during the year	**(305)**
At 31 December 2019	**679**
At 31 December 2019:	
Cost	**1,089**
Accumulated amortisation	**(410)**
Net carrying amount	**679**

	Software
	RMB'000
31 December 2018	
At 1 January 2018:	
Cost	99
Accumulated amortisation	(3)
Net carrying amount	96
Additions	900
Amortisation provided during the year	(102)
At 31 December 2018	894
At 31 December 2018:	
Cost	999
Accumulated amortisation	(105)
Net carrying amount	894

16. LEASES

The Group as a lessee

The Group has lease contracts for buildings used in its operations. Leases of buildings generally have lease terms between 1 and 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are no lease contracts that include extension and termination options and variable lease payments.

(a) Right-of-use assets

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

	Buildings RMB'000
As at 1 January 2019	8,358
Additions	1,330
Depreciation charge	(6,194)
At 31 December 2019	3,494

(b) Lease liabilities

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

	2019 Lease liabilities RMB'000
Carrying amount at 1 January	8,358
New leases	1,330
Accretion of interest recognised during the year	244
Payments	(6,499)
Carrying amount at 31 December	3,433
Analysed into:	
Current portion	2,988
Non-current portion	445

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

16. LEASES (continued)

The Group as a lessee (continued)

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

	2019
	RMB'000
Interest on lease liabilities	244
Depreciation charge of right-of-use assets	6,194
Expenses relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in selling and distribution expenses and administrative expenses)	928
Total amount recognised in profit or loss	7,366

17. TRADE RECEIVABLES

	2019	2018
	RMB'000	RMB'000
Trade receivables	146,734	115,103
Impairment	(148)	(140)
	146,586	114,963

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

17. TRADE RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	2019	2018
	RMB'000	RMB'000
0 to 30 days	**128,610**	95,198
31 to 90 days	**17,972**	18,225
91 to 180 days	**4**	1,453
181 to 365 days	**–**	38
1 to 2 years	**–**	46
2 to 3 years	**–**	3
	146,586	114,963

17. TRADE RECEIVABLES (continued)

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

	2019	2018
	RMB'000	RMB'000
At beginning of year	**140**	179
Impairment losses, net (note 6)	**44**	613
Amount written off as uncollectible	**(36)**	(652)
At end of year	**148**	140

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than three year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Trade receivables ageing			
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Total**
Expected credit loss rate	**0.10%**	**13.6%**	**52.6%**	**0.10%**
Gross carrying amount (RMB'000)	**146,734**	**–**	**–**	**146,734**
Expected credit losses (RMB'000)	**148**	**–**	**–**	**148**

As at 31 December 2018

	Trade receivables ageing			
	Less than 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	0.09%	34.29%	72.73%	0.12%
Gross carrying amount (RMB'000)	115,022	70	11	115,103
Expected credit losses (RMB'000)	108	24	8	140

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019	2018
	RMB'000	RMB'000
Deposits and other receivables	4,377	1,755
Prepaid expenses	1,260	2,443
Prepayments	114,732	43,085
Other current assets	5,392	1,266
	125,761	48,549
Less:		
Prepaid expenses, non-current portion	893	1,353
Other receivables, non-current portion	713	626
	124,155	46,570

Other receivables are non-interest-bearing, unsecured and repayable on demand. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	RMB'000	RMB'000
Unlisted investments, at fair value	1,072,857	426,172

The above unlisted investments were financial products issued by banks and licensed financial institutions in Mainland China and Hong Kong with expected interest rates of 2.3% to 9.5% (2018: 1.8% to 5.1%) per annum and maturity period of nil to eighteen months (2018: nil to three months). They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

20. CASH AND CASH EQUIVALENTS

	2019	2018
	RMB'000	RMB'000
Cash and cash equivalents	220,779	281,565
Denominated in RMB	183,273	256,385
Denominated in HK$	826	–
Denominated in US$	36,680	25,180
Cash and cash equivalents	220,779	281,565

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for periods of one month and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

	2019	2018
	RMB'000	RMB'000
Trade payables	101,853	63,209

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

	2019	2018
	RMB'000	RMB'000
0 to 30 days	63,498	45,082
31 to 90 days	14,829	10,867
91 to 180 days	12,396	2,928
181 to 365 days	6,888	2,193
Over 365 days	4,242	2,139
	101,853	63,209

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

22. OTHER PAYABLES AND ACCRUALS

	2019	2018
	RMB'000	RMB'000
Advances from customers	11,500	16,135
Payroll payable	74,054	61,567
Other payables	14,810	8,458
Taxes payable other than corporate income tax	8,913	2,283
	109,277	88,443

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

23. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

On 28 May 2018, Duiba HK entered into several equity transfer agreements with the then shareholders of HZ Duiba and acquired a 100% equity interest of HZ Duiba, as a result, the preferred rights of Series Seed, Series A and Series B were terminated.

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

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

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

On 7 May 2019, Series C and Series Angel preferred shares were fully converted to ordinary shares.

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

The key terms of the preferred shares are summarised as follows:

(1) Voting

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

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

(2) Dividends

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

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

(3) Liquidation

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

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

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

(3) Liquidation (continued)

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

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

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

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

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

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

(4) Conversion

The holders of the New preferred shares have the following conversion rights described below with respect to the conversion of the New preferred shares into ordinary shares. The number of ordinary shares to which a holder shall be entitled upon conversion of any Series C preferred shares shall be the quotient of the applicable Series C original issue price divided by the then-effective Series C conversion price. The "Series C Conversion Price" shall initially equal the applicable Series C original issue price, and each shall be adjusted from time to time as provided in the 1.C of the Company.

The number of ordinary shares to which a holder shall be entitled upon conversion of any Series Angel preferred shares shall be the quotient of the Series Angel original issue price divided by the then-effective Series Angel conversion price. The "Series Angel Conversion Price" shall initially equal the Series Angel original issue price, and each shall be adjusted from time to time as provided in Article the 1.C of the Company. For the avoidance of doubt, the initial conversion ratio for Series Angel preferred shares to ordinary shares shall be 1:1.

(5) Redemption

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

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

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

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

	Series Seed	Series A	Series B	Series C	Series Angel	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019	–	–	–	754,952	396,439	1,151,391
Changes in fair value	–	–	–	243,417	232,373	475,790
Conversion of preferred shares issued to the then shareholders to ordinary shares	–	–	–	(982,335)	(618,314)	(1,600,649)
Currency translation differences	–	–	–	(16,034)	(10,498)	(26,532)
As at 31 December 2019	–	–	–	–	–	–
As at 1 January 2018	35,758	44,545	64,377	–	–	144,680
Changes in fair value	42,229	47,660	51,490	–	312,213	453,592
Conversion of preferred shares issued to the then shareholders to ordinary shares	(33,405)	(41,159)	(79,480)	–	–	(154,044)
Issue of preferred shares	–	–	–	705,584	6,421	712,005
Replacement of Series Angel	(44,582)	(51,046)	(36,387)	–	132,015	–
Repurchase of preferred shares	–	–	–	–	(64,144)	(64,144)
Currency translation differences	–	–	–	49,368	9,934	59,302
As at 31 December 2018	–	–	–	754,952	396,439	1,151,391

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December.

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

Significant unobservable inputs

	2019	2018
	RMB'000	RMB'000
Time to exit event	N/A	0.5 year
Risk-free rate	N/A	3.3%
Equity volatility	N/A	46.2%
DLOM-Series Seed	N/A	N/A
DLOM-Series A	N/A	N/A
DLOM-Series B	N/A	N/A
DLOM-Series C	N/A	4.0%
DLOM-Series Angel	N/A	9.0%

Quantitative sensitivity analysis

	2019	2018
	RMB'000	RMB'000
1 year increase in time to exit event	N/A	(63,943)
1% increase in risk-free rate	N/A	(497)
1% decrease in risk-free rate	N/A	501
10% increase in equity volatility	N/A	(14,994)
10% decrease in equity volatility	N/A	15,033
5% increase in DLOM	N/A	(61,115)
5% decrease in DLOM	N/A	53,251

24. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Accrued expenses	Payroll payable	Loss available for offsetting against future taxable profit	Impairment of trade receivables	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	–	2,071	1,062	–	–	3,133
Deferred tax credited to profit or loss during the year (note 11)	337	1,968	5,429	10	–	7,744
At 31 December 2018	337	4,039	6,491	10	–	10,877
Effect of adoption of HKFRS 16	–	–	–	–	930	930
At 1 January 2019 (restated)	337	4,039	6,491	10	930	11,807
Deferred tax credited/(charged) to profit or loss during the year (note 11)	(206)	(307)	10,491	8	(537)	9,449
Gross deferred tax assets at 31 December 2019	131	3,732	16,982	18	393	21,256

24. DEFERRED TAX (continued)

The movements in deferred tax assets and liabilities during the year are as follows: (continued)

Deferred tax liabilities

	Right-of-use assets	Changes in fair value of financial assets at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2018	–	–	–
Deferred tax charged to profit or loss (note 11)	–	248	248
At 31 December 2018	–	248	248
Effect of adoption of HKFRS 16	930	–	930
At 1 January 2019 (restated)	930	248	1,178
Deferred tax charged/(credited) to profit or loss (note 11)	(527)	414	(113)
Gross deferred tax liabilities at 31 December 2019	403	662	1,065

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019	2018
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**20,863**	10,877
Net deferred tax liabilities recognised in the consolidated statement of financial position	**672**	248

24. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

The Group has tax losses arising in Mainland China of RMB81,488,000 (2018: RMB28,179,000) that will expire in one to ten years for offsetting against future taxable profits.

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

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, these subsidiaries' fund will be retained in Mainland China for the expansion of these subsidiaries' operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB259,507,000 (2018: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. SHARE CAPITAL AND TREASURY SHARES

Shares

	2019	2018
Authorised:		
5,000,000,000 (2018: 500,000,000) ordinary shares of US$0.00001 (2018: US$0.0001) each		
US$	**50,000**	50,000
Issued and fully paid:		
1,103,662,400 (2018: 69,040,800) ordinary shares of US$0.00001 (2018: US$0.0001) each		
US$	**11,037**	6,904
RMB	**72,000**	44,000

25. SHARE CAPITAL AND TREASURY SHARES (continued)

A summary of movements in the Company's share capital, treasury shares and share premium is as follows:

	Number of shares in issue	Share capital	Treasury shares	Share premium account	Total
		RMB'000	RMB'000	RMB'000	RMB'000
At 26 February 2018 (date of incorporation)					
Shares issued	76,240,800	49	–	35,530	35,579
Shares repurchased	(7,200,000)	(5)	–	(3,355)	(3,360)
At 31 December 2018 and 1 January 2019	69,040,800	44	–	32,175	32,219
Conversion of preferred shares issued to the then shareholders to ordinary shares (note a)	30,959,200	21	–	1,600,628	1,600,649
Effect of share subdivision (note b)	900,000,000	–	–	–	–
Issuance of shares on 7 May 2019 (note c)	111,111,200	8	–	574,632	574,640
Shares repurchased (note d)	–	–	(138,135)	–	(138,135)
Cancellation of treasury shares (note e)	(7,448,800)	(1)	29,570	(29,569)	–
Interim 2019 dividend declared	–	–	–	(99,126)	(99,126)
	1,103,662,400	72	(108,565)	2,078,740	1,970,247
Shares issue expenses	–	–	–	(26,727)	(26,727)
At 31 December 2019	1,103,662,400	72	(108,565)	2,052,013	1,943,520

Notes:

(a) Upon completion of the initial public offering, each issued preferred share was converted into an ordinary share. As a result, the financial liabilities for preferred shares were derecognised and recorded as share capital and share premium.

(b) On 7 May 2019, pursuant to the shareholders' resolution, each existing issued and unissued share of US$0.0001 in the share capital of the Company was subdivided into 10 shares of US$0.00001 each.

(c) In connection with the Company's initial public offering, 111,111,200 ordinary shares of US$0.00001 each were issued at HK$6.00 per share for a total cash consideration, before expenses, of HK$666,667,200 (equivalent to approximately RMB574,640,000). The proceeds of HK$9,300 (equivalent to approximately RMB8,000), representing the per value, were credited to the Company's share capital. The remaining proceeds of approximately HK$666,657,900 (equivalent to approximately RMB574,632,000) were credited to the share premium account.

(d) The Company purchased 26,339,200 of its shares on the Hong Kong Stock Exchange for a total consideration of HK$153,615,000 (equivalent to approximately RMB138,135,000).

(e) On 9 September 2019, the Company cancelled 7,448,800 shares which were repurchased in 2019 on the Hong Kong Stock Exchange.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 63 to 64 of the financial statements.

Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Other surplus reserve was appropriated from net profit in accordance with a prescribed percentage approved in a general meeting of the shareholders. Other surplus reserve may be used to offset accumulated losses or increase capital. Where an enterprise satisfies the stipulated conditions, other surplus reserve can also be used to distribute cash dividends.

Capital reserve

The capital reserve represents the aggregated amount of the paid-up capital of those companies comprising the Group prior to the incorporation of the Company, and equity-settled share award expense.

27. SHARE AWARD

Restricted Stock Unit Scheme

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

27. SHARE AWARD (continued)

Restricted Stock Unit Scheme (continued)

On 11 June 2015 and 26 October 2015, equity interest in HZ Duiba were granted to 4 and 4 selected employees for a consideration of RMB26,690 and RMB8,450, respectively. There are no performance target and service period requirements.

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

On 24 May 2016, 14 June 2017 and 25 December 2017, equity interest in HZ Duiba ESOP CO. I of approximately 6.91%, 31.97% and 28.14%, representing an effective equity interest of 0.52%, 2.42% and 2.13% in HZ Duiba, were granted to 2, 25 and 27 selected employees, respectively, with no consideration. There is no performance target required except that the eligible participant remains as an employee of the Group during the vesting period.

On 5 January 2018, HZ Duiba ESOP CO. II (the "PRC Share Incentive Entity II") subscribed for approximately 1.89% equity interest in HZ Duiba. Mr. Chen Xiaoliang, being a supervisor of HZ Duiba, subscribed for an equity interest in Kede by way of entering into a partnership agreement. The purpose to establish the PRC Share Incentive Entity II was to reserve an equity interest for future employee incentive plans.

On 5 January 2018, 23 March 2018 and 28 May 2018, equity interest in HZ Duiba ESOP CO. II of approximately 4.89%, 4.72% and 1.69%, representing an effective equity interest of 0.37%, 0.40% and 0.13% in HZ Duiba, were granted to 20, 22 and 1 selected employees, respectively, with no consideration. There is no performance target required except that the eligible participant remains as an employee of the Group during the vesting period.

During the year, a share award expense of RMB4,334,000 (2018: RMB8,576,000), was charged to profit or loss.

27. SHARE AWARD (continued)

Restricted Stock Unit Option Incentive Scheme

The Group has adopted a Restricted Stock Unit Option Incentive Scheme to provide incentives and rewards to eligible participants who contribute to the Group's services at least 36 months to 48 months. Duiba ESOP Co. III will transfer the Company's shares to vested participants. Eligible participants of the Scheme include senior management members who serve as financial managers and company secretaries of the Group as well as other core technical personnel, key personnel or other natural persons or entities that were or will be important to the development of the Group. There is no performance target required except that the eligible participant remains as an employee of the Group during the vesting period.

The share options granted during the years ended 31 December 2019 and 2018 are as follows.

(a) The exercise price of the share options is nil. 10% of the share options is exercisable after 12 months from the date of the option incentive agreement; 30% of the share options is exercisable after 24 months from the date of the share option incentive agreement; 30% of the share options is exercisable after 36 months from the date of the option incentive agreement; and 30% of the share options is exercisable after 48 months from the date of the option incentive agreement.

2018

Date of grant	Number of options
1 November 2018	1,931,000

2019

Date of grant	**Number of options**
1 March 2019	**516,000**
1 July 2019	**6,190,000**
1 September 2019	**167,000**
1 October 2019	**150,000**
8 October 2019	**200,000**
1 November 2019	**1,300,000**
1 December 2019	**10,117,000**

27. SHARE AWARD (continued)

Restricted Stock Unit Option Incentive Scheme (continued)

(b) The exercise price of the share options is nil. 33.3% of the share options is exercisable after 12 months from the date of the option incentive agreement; 33.3% of the share options is exercisable after 24 months from the date of the option incentive agreement; and 33.4% of the share options is exercisable after 36 months from the date of the option incentive agreement.

2019

Date of grant	Number of options
1 September 2019	500,000

The following share options were outstanding under the Scheme during the year:

	2019		2018	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	US$	**'000**	US$	'000
At 1 January 2019	**–**	**1,931**	–	–
Granted before share subdivision	**–**	**516**	–	–
Granted during the year	**–**	**–**	–	1,931
Effect of share subdivision	**–**	**22,023**	–	–
Granted after share subdivision	**–**	**18,624**	–	–
At 31 December 2019	**–**	**43,094**	–	1,931

27. SHARE AWARD (continued)

Restricted Stock Unit Option Incentive Scheme (continued)

The following table discloses the details of share options outstanding at the end of the reporting period:

2019

Number of options	Exercise price per share	Vesting period/exercise period	Fair value per share
'000	US$		US$
516	–	2020/03/01 to 2023/03/01	4.79
6,190	–	2020/07/01 to 2023/07/01	0.60
167	–	2020/09/01 to 2023/09/01	0.57
500	–	2020/09/01 to 2022/09/01	0.57
150	–	2020/10/01 to 2023/10/01	0.59
200	–	2020/10/08 to 2023/10/08	0.59
1,300	–	2020/11/01 to 2023/11/01	0.65
10,117	–	2020/12/01 to 2023/12/01	0.61
19,140			

2018

Number of options	Exercise price per share	Vesting period/exercise period	Fair value per share
'000	US$		US$
493	–	2019/04/01 to 2022/04/01	2.92
1,438	–	2019/11/01 to 2022/11/01	2.92
1,931			

27. SHARE AWARD (continued)

Restricted Stock Unit Option Incentive Scheme (continued)

The fair value of the share options granted during the year was US$13,751,000 (equivalent to approximately RMB95,319,000(2018:US$5,640,000 (equivalent to approximately RMB39,296,000)) of which the Group recognised a share option expense of RMB24,435,000 (2018: RMB3,086,000) during the year ended 31 December 2019.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2019	2018
Expected volatility (%)	**58.8-60.5**	54.4
Risk-free interest rate (%)	**1.4-3.7**	4.0
Expected life of options (years)	**10**	10
Weighted average share price (US$)	**0.57-4.79**	2.9
Forfeiture rate (%)	**18.8**	13.0

No other feature of the options granted was incorporated into the measurement of fair value.

Subsequent to the end of the reporting period, on 1 February 2020 and 1 March 2020, 833,000 and 4,990,000 share options, respectively, were granted to certain employees of the Company in respect of their services to the Group in the forthcoming year. These share options vest 10%, 30%, 30% and 30% from 1 February 2021 to 1 March 2024 and have nil exercise price. The price of the Company's shares at the date of grant was HK$3.48 per share and HK$3.68 per share, respectively.

At the date of approval of these financial statements, the Company had 48,917,000 share options outstanding under the Scheme, which represented approximately 4.4% of the Company's shares in issue as at that date.

28. CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities.

29. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the years the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,330,000 and RMB1,330,000, respectively, in respect of lease arrangements for buildings (2018: Nil).

(b) Changes in liabilities arising from financing activities

2019

	Lease liabilities	Financial liabilities at fair value through profit or loss
	RMB'000	RMB'000
At 31 December 2018	–	1,151,391
Effect of adoption of HKFRS 16	8,358	–
At 1 January 2019 (restated)	8,358	1,151,391
Conversion of preferred shares issued to the then shareholders to ordinary shares	–	(1,600,649)
Currency translation differences	–	(26,532)
Changes in fair value	–	475,790
Changes from financing cash flows	(6,255)	–
New leases	1,330	–
Interest expense	244	–
Interest paid classified as operating cash flows	(244)	–
At 31 December 2019	3,433	–

29. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

2018

	Financial liabilities at fair value through profit or loss
	RMB'000
At 1 January 2018	144,680
Changes from financing cash flows	647,861
Conversion of preferred shares issued to the then shareholders to ordinary shares	(154,044)
Currency translation differences	(59,302)
Changes in fair value	453,592
At 31 December 2018	1,151,391

(c) Total cash outflow for leases

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

	2019
	RMB'000
Within operating activities	**1,172**
Within financing activities	**6,255**
	7,427

30. COMMITMENTS

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

	2019	2018
	RMB'000	RMB'000
Contracted, but not provided for:		
Leasehold improvements	–	1,050

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its office properties under operating lease arrangements. Leases for office properties were negotiated for terms ranging from two to five years.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018
	RMB'000
Within one year	6,088
In the second to fifth years, inclusive	2,787
	8,875

31. RELATED PARTY TRANSACTIONS

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

	2019	2018
	RMB'000	RMB'000
Short term employee benefits	5,692	3,850
Equity-settled share award and option expense	3,385	1,893
Pension scheme contributions	272	203
Total compensation paid to key management personnel	9,349	5,946

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

2019

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss — Mandatorily designated as such	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	146,586	–	146,586
Financial assets included in prepayments, other receivables and other assets	9,769	–	9,769
Financial assets at fair value through profit or loss	–	1,072,857	1,072,857
Cash and cash equivalents	220,779	–	220,779
	377,134	1,072,857	1,449,991

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000
Trade payables	101,853	101,853
Lease liabilities	3,433	3,433
Financial liabilities included in other payables and accruals	14,810	14,810
	120,096	120,096

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2018

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss – Mandatorily designated as such	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	114,963	–	114,963
Financial assets included in prepayments, other receivables and other assets	3,021	–	3,021
Financial assets at fair value through profit or loss	–	426,172	426,172
Cash and cash equivalents	281,565	–	281,565
	399,549	426,172	825,721

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
Trade payables	63,209	–	63,209
Financial liabilities included in other payables and accruals	8,458	–	8,458
Financial liabilities at fair value through profit or loss	–	1,151,391	1,151,391
	71,667	1,151,391	1,223,058

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2019, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

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

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

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

The fair values of the non-current portion of non-current other receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

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

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss:				
Investments in financial products	134,353	938,504	–	1,072,857

As at 31 December 2018

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

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2019.

As at 31 December 2018

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

The changes in Level 3 instruments of preferred shares and a summary of significant unobservable inputs to the valuation of these financial instruments together with a quantitative sensitivity analysis for the year ended 31 December 2018 are presented in note 23 to the financial statements.

During the year ended 31 December 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency risk

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

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

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
2019			
If the RMB weakens against the US$	**5**	**(2,700)**	**81,803**
If the RMB strengthens against the US$	**(5)**	**2,700**	**(81,803)**
2018			
If the RMB weakens against the US$	5	(2,000)	16,070
If the RMB strengthens against the US$	(5)	2,000	(16,070)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

Maximum exposure and year-end staging

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

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	146,734	146,734
Financial assets included in prepayments, other receivables and other assets					
– Normal**	9,769	–	–	–	9,769
Cash and cash equivalents					
– Not yet past due	220,779	–	–	–	220,779
	230,548	–	–	146,734	377,282

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	115,103	115,103
Financial assets included in prepayments, other receivables and other assets					
– Normal**	3,021	–	–	–	3,021
Cash and cash equivalents					
– Not yet past due	281,565	–	–	–	281,565
	284,586	–	–	115,103	399,689

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the financial statements.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

Since the Group trades mainly with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different regions.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	31 December 2019				
	On demand	**Less than 1 month**	**1 to 12 months**	**1 to 3 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Trade payables	**38,355**	**63,498**	**–**	**–**	**101,853**
Financial liabilities included in other payables and accruals	**14,810**	**–**	**–**	**–**	**14,810**
Lease liabilities	**–**	**–**	**3,076**	**453**	**3,529**
	53,165	**63,498**	**3,076**	**453**	**120,192**

	31 December 2018				
	On demand	Less than 1 month	1 to 12 months	1 to 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	18,128	45,081	–	–	63,209
Financial liabilities at fair value through profit or loss	–	–	–	1,151,391	1,151,391
Financial liabilities included in other payables and accruals	8,458	–	–	–	8,458
	26,586	45,081	–	1,151,391	1,223,058

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes trade payables, other payables and accruals, and financial liabilities at fair value through profit or loss, less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	2019	2018
	RMB'000	RMB'000
Trade payables	101,853	63,209
Other payables and accruals	109,227	88,443
Financial liabilities at fair value through profit or loss	–	1,151,391
Less: Cash and cash equivalents	(220,779)	(281,565)
Net debt	(9,649)	1,021,478
Total equity/(net deficiency in assets)	1,360,567	(431,998)
Total capital and net debt	1,350,918	589,480
Gearing ratio	N/A	173%

35. EVENTS AFTER THE REPORTING PERIOD

(a) On 1 February 2020 and 1 March 2020, 833,000 and 4,990,000 share options, respectively, were granted to certain employees of the Group, further detailed in note 27 to the financial statements.

(b) At present, the Group expects the COVID-19 outbreak to have limited impact on its business. However, it is difficult to estimate the full impact in the coming months given the dynamic nature of these circumstances. The Group will continue to pay close attention to, and assess, the situation of the COVID-19 and will react proactively to mitigate its impacts if necessary.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2019	2018
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	43,501	–
Total non-current assets	43,501	–
CURRENT ASSETS		
Due from subsidiaries	501,108	336,305
Financial assets at fair value through profit or loss	215,714	96,198
Prepayments, other receivables and other assets	2,259	1,997
Cash and cash equivalents	33,921	6,725
Total current assets	753,002	441,225
CURRENT LIABILITIES		
Trade payable	216	–
Other payables and accruals	5,037	2,882
Total current liabilities	5,253	2,882
NET CURRENT ASSETS	747,749	438,343
TOTAL ASSETS LESS CURRENT LIABILITIES	791,250	438,343
NON-CURRENT LIABILITIES		
Financial liabilities at fair value through profit or loss	–	1,151,391
Total non-current liabilities	–	1,151,391
Net assets/(liabilities)	791,250	(713,048)
EQUITY		
Share capital	72	44
Treasury shares	(108,565)	–
Other reserves (note)	899,743	(713,092)
Total equity	791,250	(713,048)

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account	Capital reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 26 February 2018 (date of incorporation)	–	–	–	–	–
Loss for the year	–	–	–	(462,054)	(462,054)
Other comprehensive loss for the year:					
Exchange differences on translation of foreign operations	–	–	(30,683)	–	(30,683)
Total comprehensive loss for the year	–	–	(30,683)	(462,054)	(492,737)
Issue of shares	35,530	–	–	–	35,530
Repurchase of shares	(3,355)	(252,530)	–	–	(255,885)
At 31 December 2018 and 1 January 2019	**32,175**	**(252,530)**	**(30,683)**	**(462,054)**	**(713,092)**
Loss for the year	**–**	**–**	**–**	**(503,513)**	**(503,513)**
Other comprehensive income/(loss) for the year:					
Exchange differences on translation of foreign operations	**–**	**–**	**53,009**	**–**	**53,009**
Total comprehensive income/(loss) for the year	**–**	**–**	**53,009**	**(503,513)**	**(450,504)**
Equity-settled share award and option arrangements	**–**	**43,501**	**–**	**–**	**43,501**
Issue of shares for the initial public offering	**574,632**	**–**	**–**	**–**	**574,632**
Share issue expenses	**(26,727)**	**–**	**–**	**–**	**(26,727)**
Cancellation of treasury shares	**(29,569)**	**–**	**–**	**–**	**(29,569)**
Conversion of preferred shares issued to the then shareholders to ordinary shares	**1,600,628**	**–**	**–**	**–**	**1,600,628**
Interim 2019 dividend declared	**(99,126)**	**–**	**–**	**–**	**(99,126)**
At 31 December 2019	**2,052,013**	**(209,029)**	**22,326**	**(965,567)**	**899,743**

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2020.

DEFINITIONS

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

"AGM"	the forthcoming annual general meeting of the Company to be held on 22 May 2020
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Auditor"	Ernst & Young, the external auditor of the Company
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Chen's Family Trust"	the Jiayou Trust, a discretionary trust set up by Mr. Chen Xiaoliang and whose beneficiaries are Mr. Chen Xiaoliang and his family members
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Company" or "Duiba"	Duiba Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange under stock code 01753
"CPC"	cost per click
"Director(s)"	the director(s) of the Company
"Group" or "we" or "us"	the Company and our subsidiaries or any of them

"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HZ Duiba"	杭州兌吧網絡科技有限公司 (Hangzhou Duiba Internet Technology Company Limited), a company with limited liability established in the PRC on 13 May 2011 and a wholly-owned subsidiary of the Company
"HZ Tuia"	杭州推啊網絡科技有限公司 (Hangzhou Tuia Internet Technology Company Limited), a company with limited liability established in the PRC on 22 September 2016, and a wholly-owned subsidiary of the Company
"Net Proceeds"	the net proceeds of approximately HK$569.5 million from the global offering of the Shares, after deducting professional fees, underwriting commissions and other related listing expenses
"Listing Date"	7 May 2019, being the date on which the Shares became listed and commenced trading on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company dated 24 April 2019
"Relevant Period"	the period from the Listing Date to 31 December 2019
"Reporting Period"	the year ended 31 December 2019
"RMB"	Renminbi yuan, the lawful currency of the PRC

DEFINITIONS

"SaaS"	software as a service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
"Share(s)"	ordinary share(s) of the Company with nominal value of US$0.00001 each in the share capital of the Company
"Shareholders"	holders of Shares
"Share Option Scheme"	the post-IPO share option scheme approved and adopted by the Board on 17 April 2019
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"XL Holding"	Xiaoliang Holding Limited, a company with limited liability incorporated in the BVI on 26 February 2018, and wholly owned by Blissful Plus Enterprises Limited, a company controlled by the Chen's Family Trust for the benefit of Mr. Chen Xiaoliang and of his family members