百融云创

Bairong Inc.

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立以不同投票權控制的有限責任公司）

Stock Code 股份代號：6608

2020
ANNUAL REPORT
年度報告

CONTENTS

COMPANY INFORMATION

Executive Directors

Mr. Zhang Shaofeng *(Chairperson and CEO)*
Mr. Zhao Hongqiang
Ms. Zhao Jing

Non-executive Directors

Mr. Bai Linsen
Mr. Ren Xuefeng
Mr. Li Qiang

Independent non-executive Directors

Professor Chen Zhiwu
Mr. Zhou Hao
Professor Guo Yike

Audit committee

Mr. Zhou Hao *(Chairperson)*
Mr. Bai Linsen
Professor Chen Zhiwu

Remuneration committee

Professor Chen Zhiwu *(Chairperson)*
Mr. Zhou Hao
Mr. Bai Linsen

Nomination committee

Mr. Zhou Hao *(Chairperson)*
Mr. Zhang Shaofeng
Professor Guo Yike

Corporate governance committee

Professor Chen Zhiwu *(Chairperson)*
Mr. Zhou Hao
Professor Guo Yike

Joint company secretaries

Mr. Chen Chunyang
Ms. Leung Shui Bing

Authorised representatives

Mr. Zhao Hongqiang
Ms. Leung Shui Bing

Headquarters

1–3/F, Tower A, No.10 Furong Street
Chaoyang District, Beijing, China

Principal place of business in Hong Kong

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Registered office

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Grand Cayman KY1-1104, Cayman Islands

Auditor

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

Legal advisers

As to Hong Kong and U.S. laws

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42/F, Edinburgh Tower, The Landmark
15 Queen's Road Central, Central, Hong Kong

As to PRC law

Commerce & Finance Law Offices
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Chaoyang District, Beijing, PRC

As to Cayman Islands law

Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

Compliance adviser

CMBC International Capital Limited
45/F One Exchange Square
8 Connaught Place, Central, Hong Kong

Hong Kong Share Registrar

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

Principal share registrar and transfer office

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman KY1-1102, Cayman Islands

Principal bank

China Merchants Bank (Beijing Yuquan Road sub-branch)

Stock code

6608

Company website

www.brgroup.com

KEY HIGHLIGHTS

Financial highlights

	Year ended December 31,		
	2020	2019	Change (%)
	(RMB in thousands, except percentages)		
Revenue	**1,136,532**	1,261,942	(9.9%)
Gross profit	**838,137**	971,792	(13.8%)
Operating profit (loss)	**32,607**	(11,267)	N/A
Loss for the year	**(109,061)**	(94,140)	15.8%
Non-IFRS measures			
Non-IFRS profit for the year	**80,044**	13,071	512.4%
Non-IFRS EBITDA	**167,293**	87,380	91.5%

Year ended December 31, 2020

Revenue	Number of FSP clients	Number of Key FSP clients	Key FSP client retention rate	Key FSP client net dollar expansion rate
1.137B	**4,500+**	**237**	**96%**	**92%**

Year-on-year growth rate

Non-IFRS profit	Non-IFRS EBITDA	Number of Key FSP clients	Key FSP client retention rate	Number of requests from institutions
512%	**92%**	**21%**	**7%**	**62%**

Business review for the Reporting Period

We are a leading independent AI-powered technology platform in China serving the financial services industry. As of December 31, 2020, we had served more than 4,500 FSP clients (including 2,602 paying FSP clients) in China since our founding, including substantially all of China's national banks, more than 700 regional banks, substantially all of China's consumer finance companies, over 90 major insurance companies and a variety of other FSPs. We provide services and facilitate transactions through our big data and AI technologies to support the needs of FSPs in pre-lending risk management, post-lending monitoring, non-performing loan (NPL) management and insurance risk management, enabling them to reduce exposure to fraud and improve their underwriting and risk management effectiveness. We also provide big data marketing and distribution services that enable our FSP clients to reach and serve their target customers more effectively. Our precision marketing services are provided primarily through our proprietary financial product recommendation platform, Banyan, which is a marketplace connecting consumers with suitable financial products provided by our FSP clients. Our insurance distribution services are provided through our Liming technology platform, which provide brokers with data-driven tools and analytics to facilitate efficient and effective insurance sales and customer relationship management.

In 2020, the COVID-19 outbreak has negatively affected China's financial services industry, which, in turn, has negatively affected our FSP clients' need for big data analytics services and precision marketing services in 2020. We achieved a gross profit of RMB838.1 million and a loss of RMB109.1 million in 2020. With the pandemic largely under control in the second half of 2020 in China, our business rebounded in the fourth quarter of 2020, as highlighted below:

- Our total revenue decreased by 9.9% in 2020, compared with a 17.1% decrease for the nine months ended September 30, 2020.
- Revenue from our data analytics services increased by 1.8% in 2020, compared with a 8.4% decrease for the nine months ended September 30, 2020.
- Revenue from our precision marketing services decreased by 34.7% in 2020, compared with a 45.1% decrease for the nine months ended September 30, 2020.
- Revenue from our insurance distribution services increased by 1.9% in 2020.

	Year ended December 31,		Nine months ended September 30,	
	2019	**2020**	2019	**2020**
	(RMB in thousands)			
			(Unaudited)	
Revenue	1,261,942	**1,136,532**	922,338	**764,233**
Data analytics services	522,654	**532,041**	389,074	**356,239**
Precision marketing services	404,786	**264,505**	309,185	**169,678**
Insurance distribution services	332,236	**338,643**	222,235	**237,466**
Other services	2,266	**1,343**	1,844	**850**
Gross profit	971,792	**838,137**	716,265	**559,789**
Operating profit (loss)	(11,267)	**32,607**	(5,690)	**(15,252)**
Profit (loss) for the period	(94,140)	**(109,061)**	(57,657)	**(115,883)**
Non-IFRS measures[1]				
Non-IFRS profit	13,071	**80,044**	10,860	**20,427**
Non-IFRS EBITDA	87,380	**167,293**	64,121	**83,197**

Note:

(1) See "Management discussion and analysis — Non-IFRS measures".

In 2020, we continued to leverage our core database and our data analytics capabilities to support the products and services we provide, which, in turn, generate data insights of large magnitude, enabling us to further enhance our core database and improve our data analytics capabilities. Despite the impact of the COVID-19 outbreak, we were still able to maintain our key operating metrics on a decent level, in particular, metrics around Key FSP clients.

	As of December 31,	
	2019	**2020**
Cumulative number of paying FSP clients we serve	2,031	**2,602**
Number of paying FSP clients we serve in a given calendar year	1,494	**1,415**
Average revenue of paying FSP clients (RMB in millions)	0.84	**0.80**
Number of Key FSP clients	196	**237**
Percentage of revenue contribution by Key FSP clients	73%	**86%**
Average revenue per client (ARPC) of Key FSP clients (RMB in millions)	4.7	**4.1**

Notably, the number of our Key FSP clients increased from 196 in 2019 to 237 in 2020 and the percentage of revenue contribution by Key FSP clients increased from 73% in 2019 to 86% in 2020.

In addition to the metrics set forth above, we use Key FSP client retention rate and Key FSP client net dollar expansion rate to measure our ability to retain and grow the Key FSP client base. We had a Key FSP client retention rate of 96% in 2020 and of 89% in 2019. The Key FSP client retention rate is the percentage of the Key FSP clients we have in a given year that we continue to retain during the next twelve months. Also, we achieved a net dollar expansion rate of 92% in 2020 for our Key FSP clients in 2019. Net dollar expansion rate is an indicator for the long-term value of our business relationship with our Key FSP clients and our ability to retain and grow revenue from Key FSP clients. We calculate net dollar expansion rate as a fraction, the denominator of which is the revenue contribution from Key FSP clients in one given year and the numerator of which is the contribution from the same group of Key FSP clients in the following year, expressed as a percentage.

Recent developments after the Reporting Period

2021 Draft Measures for Credit Reporting Business

On January 11, 2021, the PBOC released the 2021 Draft Measures for Credit Reporting Business (Draft) (the "**2021 Draft**") for public consultation, aiming at promoting the transparency of the credit reporting service, protecting the legal rights and interests of the information providers, and improving the complied usage of credit information among the information provider, credit reporting agency and information user. See "Regulations — Regulations on Credit Reporting Business" in the Prospectus for a detailed description of the 2021 Draft. The 2021 Draft was released for public consultation only, and substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. Based on its understanding and analysis of the 2021 Draft, as currently drafted, and the existing related administrative regulations governing credit reporting agencies, our PRC Legal Adviser is of the opinion that we are unlikely to be treated as a credit reporting agency and our businesses are unlikely to be treated as credit reporting services or activities. Accordingly, we are unlikely to be required to obtain a credit reporting license from the PBOC under the 2021 Draft, assuming it will be enacted in its current form. See "Business — 2021 Draft Measures for Credit Reporting Business" in the Prospectus for our PRC Legal Adviser's detailed analysis of the regulatory framework currently contemplated under the 2021 Draft and potential treatment of our business thereunder. However, there is uncertainty as to the interpretation and implementation of the Draft 2021 by the relevant PRC regulatory authorities upon its effectiveness, and we cannot assure you that the relevant PRC regulatory authorities would reach the same conclusion as our PRC Legal Adviser. See "Risk Factors — Risks Relating to Our Business and Industry — If we are deemed to engage in a personal credit reporting business and violate any PRC laws or regulations governing personal credit reporting businesses, our business, financial condition, results of operations and prospects could be materially and adversely affected. In particular, we are subject to uncertainties surrounding the 2021 Draft Measures for Credit Reporting Business, the implementation of which may have an adverse impact on our business, financial condition and results of operations" in the Prospectus for details.

We have taken various measures to help navigate through the uncertainty of the rule making process of the 2021 Draft. First, we are in the process of formulating plans to seek potential opportunities to collaborate with the existing licensed credit reporting agencies in the area of data analytics. Second, we have consulted with an official from a provincial branch of the PBOC, who has confirmed that the currently effective PRC laws do not prohibit any entity from providing data analytics services and risk management technical services to the FSP clients. Third, we have taken a comprehensive set of measures to ensure compliance with the information security requirements under the 2021 Draft.

Impact of COVID-19 on operations

All of our revenue is generated in China. Our results of operations and financial condition will be affected by the spread of COVID-19. The extent to which COVID-19 impacts our results of operations will depend on the future developments of the outbreak, including new information concerning the global severity of and actions taken to contain the outbreak, which are highly uncertain and unpredictable. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the Chinese economy in general.

The global spread of COVID-19 and actions taken in response to the virus have negatively affected workforces, customers, consumer confidence, financial markets, consumer spending and credit markets, caused significant economic and business disruption, volatility and financial uncertainty, and led to a significant economic downturn, including in the markets where we operate. Mainly due to the impact of COVID-19, our revenue decreased by 17.1% from RMB922.3 million for the nine months ended September 30, 2019 to RMB764.2 million for the nine months ended September 30, 2020,primarily because revenue from precision marketing services decreased by 45.1% from RMB309.2 million to RMB169.7 million as our FSP clients experienced a decline in business demand due to COVID-19. We expect the COVID-19 outbreak will help to expand AI-powered technology utilization in FSPs' online business process in the long term, but the COVID-19 outbreak had caused delays in the FSP clients' subscriptions for our data analytics services. Our net loss increased from RMB57.7 million for the nine months ended September 30, 2019 to RMB115.9 million for the nine months ended September 30, 2020. According to Frost & Sullivan, the number of newly issued domestic credit cards saw a year-on-year decrease of 60% for the six months ended June 30, 2020. Because banks are one of our main clients and the personal credit market is primarily based on credit cards, our pre-lending risk management business, the core income of our data analytics services section, was materially and negatively affected.

For the year ended December 31, 2020, our market share is estimated to be approximately 9.0%, which is 0.3% higher compared with our market share in 2019. The overall credit market is expected to rebound as China's economy continued to gain momentum after the pandemic is largely under contol in China. For the six months ended December 31, 2020, the number of newly issued credit cards is expected to reach 22.4 million, representing a 124% increase compared to the six months ended June 30, 2020. In 2021, as consumption demands gradually recover, the number of newly issued credit cards is expected to increase by 157% compared to the number in 2020 and experience a 40% increase compared to the number in 2019.

We have taken a series of measures in response to the outbreak, including, among others, remote working arrangements for some of our employees, suspension of our offline customer acquisition activities and cancellation of non-essential business travels to ensure the safety and health of our employees. These measures could reduce the capacity and efficiency of our operations and negatively impact the procurement of products, which in turn could negatively affect our results of operations.

See also "Summary — Recent developments" in the Prospectus for additional details.

Business outlook

Going forward, we plan to implement the following strategies, which we believe, will further strengthen our core competitive strengths and enable us to capture rising business opportunities:

- *Solidify leadership in technology*. We will continue to invest in technologies and collaborate with top universities and research institutions to develop technologies in AI and big data, invest in our technology infrastructure to support our stable, reliable and scalable services, and broaden our database as we serve more FSPs.

- *Enhance and expand our products and services*. We will continue to work with FSPs and expand our products and offerings to cater to their evolving needs.

- *Further expand our client base and deepen client relationship*. We will further enhance our business development capabilities, further expand our footprint in the financial services industry, and continue to deepen our client relationship by offering more comprehensive products and services covering the entire transaction life cycle.

- *Pursue strategic acquisitions that complement our leadership position*. While we expect this will occur primarily through organic growth, we have acquired and will continue to acquire assets and businesses that strengthen our value proposition to our FSP clients.

See also "Business — Our Strategies" in the Prospectus for additional details.

Description of Major Components of Our Consolidated Statement of Profit or Loss

The following table sets forth a summary of our consolidated results of operations for 2019 and 2020. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,	
	2019	2020
	(RMB in thousands)	
Revenues		
Data analytics services	522,654	**532,041**
Precision marketing services	404,786	**264,505**
Insurance distribution services	332,236	**338,643**
Other services	2,266	**1,343**
Total revenues	1,261,942	**1,136,532**
Cost of sales	(290,150)	**(298,395)**
Gross profit	971,792	**838,137**
Other income and loss, net	27,390	**35,424**
Research and development expenses	(216,414)	**(201,025)**
General and administrative expenses	(221,794)	**(199,857)**
Sales and marketing expenses	(567,821)	**(439,555)**
Impairment loss	(4,420)	**(517)**
(Loss)/profit from operations	(11,267)	**32,607**
Net finance costs	(10,170)	**(10,943)**
Changes in fair value of financial assets measured at fair value through profit or loss	(8,600)	**(775)**
Changes in fair value of convertible loan	8,403	**—**
Changes in fair value of redeemable convertible preferred shares	(76,173)	**(131,486)**
Loss before taxation	(97,807)	**(110,597)**
Income tax benefit	3,667	**1,536**
Loss for the year	(94,140)	**(109,061)**
Attributable to:		
Equity shareholders of the Company	(93,165)	**(110,555)**
Non-controlling interests	(975)	**1,494**
Total comprehensive income for the year	(94,140)	**(109,061)**

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use non-IFRS (loss)/profit and non-IFRS EBITDA as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items which our management considers non-indicative of our operating performance.

We believe these measures provide useful information to investors and others in understanding and evaluating our consolidated statement of profit or loss in the same manner as they help our management. However, our presentation of non-IFRS (loss)/profit and non-IFRS EBITDA may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitutes for an analysis of, our results of operations or financial condition as reported under IFRSs.

We define non-IFRS (loss)/profit as loss for the year/period, excluding share-based compensation, fair value changes of redeemable convertible preferred shares, fair value changes of convertible loan and listing expenses. We define non-IFRS EBITDA as EBITDA excluding share-based compensation, fair value changes of redeemable convertible preferred shares, fair value changes of convertible loan and listing expenses. We exclude these items because they are not expected to result in future cash payments that are recurring in nature and they are not indicative of our core operating results and business outlook.

The following table reconciles our non-IFRS profit for 2019 and 2020 and non-IFRS EBITDA presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the year:

Reconciliation of loss to non-IFRS profit for the year:

	For the year ended December 31,		For the nine months ended September 30	
	2019	**2020**	2019	**2020**
	(RMB in thousands)			
Loss for the year	(94,140)	**(109,061)**	(57,657)	**(115,883)**
Add				
Share-based compensation[1]	39,441	**36,718**	32,054	**30,104**
Changes in fair value of redeemable convertible preferred shares[2]	76,173	**131,486**	44,866	**93,776**
Changes in fair value of convertible loan[3]	(8,403)	**—**	(8,403)	**—**
Listing expenses[4]	—	**20,901**	—	**12,430**
Non-IFRS profit for the year	13,071	**80,044**	10,860	**20,427**

Reconciliation of loss to EBITDA and non-IFRS EBITDA for the year:

	For the year ended December 31,		For the nine months ended September 30	
	2019	**2020**	2019	**2020**
	(RMB in thousands)			
Loss for the year	(94,140)	**(109,061)**	(57,657)	**(115,883)**
Add				
Net finance costs	10,170	**10,943**	7,411	**9,498**
Income tax benefit	(3,667)	**(1,536)**	(1,742)	**(1,941)**
Depreciation	67,370	**76,537**	47,351	**54,381**
Amortization	436	**1,305**	241	**832**
EBITDA	(19,831)	**(21,812)**	(4,396)	**(53,113)**
Add				
Share-based compensation(1)	39,441	**36,718**	32,054	**30,104**
Changes in fair value of redeemable convertible preferred shares(2)	76,173	**131,486**	44,866	**93,776**
Changes in fair value of convertible loan(3)	(8,403)	**—**	(8,403)	**—**
Listing expenses(4)	—	**20,901**	—	**12,430**
Non-IFRS EBITDA	87,380	**167,293**	64,121	**83,197**

Notes:

(1) Share-based compensation relates to the share options that we granted under our share incentive plan, which is a non-cash expense that is commonly excluded from similar non-IFRS measures adopted by other companies in our industry.

(2) Fair value changes of redeemable convertible preferred shares represent the losses arising from change in fair value of our issued redeemable convertible preferred shares, which were recognised as financial liability at fair value through profit or loss. Such changes will no longer exist after the automatic conversion of our redeemable convertible preferred shares to equity upon the Listing and are non-cash in nature and are not directly related to our operating activities.

(3) Fair value changes of convertible loan represents the gain arising from change in fair value of our issued convertible loan, which was recognised as financial liability at fair value through profit or loss. Such changes no longer existed upon the automatic conversion of our convertible loan to redeemable convertible preferred shares in June 2019 and were non-cash in nature and were not directly related to our operating activities.

(4) Listing expenses relates to the Global Offering of the Company, which is one-off in nature and is not directly related to our operating activities.

Comparison of Year Ended December 31, 2020 and 2019

Revenue

Our total revenue decreased by 9.9% from RMB1,261.9 million for the year ended December 31, 2019 to RMB1,136.5 million for the year ended December 31, 2020, primarily due to the negative impact of the COVID-19 outbreak, especially the negative impact on precision marketing services. For details, see "Financial Information — Impact of COVID-19 on Operations" in the Prospectus.

Data analytics services

Revenue from our data analytics services increased by 1.8% from RMB522.7 million for the year ended December 31, 2019 to RMB532.0 million for the year ended December 31, 2020. Although we were adversely affected by decline of credit markets in the earlier months of 2020 due to the impact of COVID-19, we achieved year-on-year growth by 1.8% as the demand on our data analytics services rebounded when the COVID-19 out break was gradually controlled in China.

Precision marketing services

Revenue from our precision marketing services decreased by 34.7% from RMB404.8 million for the year ended December 31, 2019 to RMB264.5 million for the year ended December 31, 2020, primarily due to (i) the negative impact of the COVID-19 outbreak on the demand for precision marketing services, evident from the decrease of the marketing expenditure of non-bank financial institutions, according to Frost & Sullivan and (ii) the changing government regulations on retail credit facilitation companies that caused some of our FSP clients to adjust their business strategy on personal loans.

Insurance distribution services

Revenue from our insurance distribution services increased by 1.9% from RMB332.2 million for the year ended December 31, 2019 to RMB338.6 million for the year ended December 31, 2020, primarily due to the enhanced business cooperation with insurance companies on multiple types of insurance products, including insurance products which are more popular in a lower interest rate economic environment and health insurance products covering specific pandemic disease risks, as well as benefit from recurring commission revenue from life insurance companies.

Other services

Revenues generated from other services decreased by 43.5% from RMB2.3 million for the year ended December 31, 2019 to RMB1.3 million for the year ended December 31, 2020. Revenue generated from other services primarily include the interest income, services fees and transaction fees we received on the trial-based micro-lending transactions we facilitated or entered into. We consider these micro-lending transactions as trial-based and therefore, we continue to reduce the transaction volume of micro-lending business as we do not plan to further develop or expand this business.

Cost of sales

The cost of sales increased by 2.8% from RMB290.2 million for the year ended December 31, 2019 to RMB298.4 million for the year ended December 31, 2020, primarily attributable to a RMB20.7 million increase in data service costs offset by a RMB15.7 million decrease in insurance brokerage commission costs. The increase in data service cost was primarily due to our increased implementation cost in line with the increased project-based revenue. The decrease in insurance brokerage commission costs was primarily driven by the enlarged insurance premium pool and the increased distribution efficiency.

Gross profit and gross margin

As a result of the foregoing, our overall gross profit decreased by 13.8% from RMB971.8 million for the year ended December 31, 2019 to RMB838.1 million for the year ended December 31, 2020, and our overall gross margin decreased from 77.0% for the year ended December 31, 2019 to 73.7% for the year ended December 31, 2020. The decrease was primarily due to decrease in revenue impacted by COVID-19 and the increase in data costs as a result of our continuous efforts to build and maintain our database.

Research and development expenses

Our research and development expenses decreased by 7.1% from RMB216.4 million for the year ended December 31, 2019 to RMB201.0 million for the year ended December 31, 2020, primarily attributable to a decrease of RMB8.5 million in staff costs and share-based compensation and a decrease of RMB9.2 million in technical service expenditure. The decrease in technical service expenditure was mainly due to a decrease of expenditure related to precision marketing services as compared that in the initial years of Banyan's development.

General and administrative expenses

Our general and administrative expenses decreased by 9.9% from RMB221.8 million for the year ended December 31, 2019 to RMB199.9 million for the year ended December 31, 2020, primarily attributable to a decrease of RMB12.4 million in professional services fee and other corporate-related expenses and a decrease of RMB12.5 million in office expenses, resulting from our efforts to reasonably control expenditures in response to the uncertainty of the COVID-19 impact.

Sales and marketing expenses

Our sales and marketing expenses decreased by 22.6% from RMB567.8 million for the year ended December 31, 2019 to RMB439.6 million for the year ended December 31, 2020, primarily due to a decrease of RMB164.6 million in advertising and information technology services expenses as a result of the decreased demand from precision marketing services and a decrease of RMB7.8 million in office expenses, partially offset by an increase of RMB15.1 million in staff costs.

Other Income and loss, net

Our other income and loss, net increased by 29.2% from RMB27.4 million for the year ended December 31, 2019 to RMB35.4 million for the year ended December 31, 2020, primarily attributable to an increase of RMB9.2 million in investment income from wealth management products and trust plans.

Changes in fair value of redeemable convertible preferred shares

We recorded a loss on changes in fair value of redeemable convertible preferred shares of RMB76.2 million for the year ended December 31, 2019, primarily due to increase in the fair value of redeemable convertible preferred shares in the year ended December 31, 2019.

We recorded a loss on changes in fair value of redeemable convertible preferred shares of RMB131.5 million for the year ended December 31, 2020, primarily due to increase in the fair value of redeemable convertible preferred shares in the year ended December 31, 2020.

Income Tax Benefit

We had income tax benefit of RMB3.7 million and RMB1.5 million for the years ended December 31, 2019 and 2020, respectively.

Discussion of Certain Items in the Consolidated Statement of Financial Position

Current Assets/Liabilities

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December, 31	
	2019	**2020**
	(RMB in thousands)	
Current assets		
Prepaid expenses and other current assets	77,634	**41,166**
Financial assets at fair value through profit or loss	545,695	**806,101**
Loans receivable	3,430	**6,351**
Trade receivables	195,994	**179,913**
Cash and cash equivalents	150,917	**41,949**
Total current assets	973,670	**1,075,480**
Current liabilities		
Trade payables	39,542	**53,136**
Contract liabilities	34,059	**39,868**
Lease liabilities	49,629	**44,896**
Accrued expenses and other current liabilities	124,075	**142,033**
Redeemable convertible preferred shares	2,081,145	**—**
Total current liabilities	2,328,450	**279,933**
Net current assets/(liabilities)	(1,354,780)	**795,547**

We had net current assets of RMB795.5 million as of December 31, 2020, which was primarily attributable to our Financial assets at fair value through profit or loss of RMB806.1 million and trade receivables of RMB179.9 million, partially offset by accrued expenses and other current liabilities of RMB142.0 million and trade payables of RMB53.1 million.

The holders of the redeemable convertible preferred shares agreed to extend the no-IPO redemption date to July 1, 2022. As a result, the redeemable convertible preferred shares were reclassified into non-current liabilities, the amount of redeemable convertible preferred shares recorded as current liabilities as of December 31, 2020 is nil.

Financial assets at fair value through profit or loss

Our current financial assets at fair value through profit or loss represent the financial products in which we invested. These investments include certain low-risk wealth management products and trust plans issued by financial institutions in the PRC. Our current financial assets at fair value through profit or loss were RMB545.7 million and RMB806.1 million as of December 31, 2019 and 2020, respectively. The increase of our investment in financial products was mainly due to the increase of our working capital available as of December 31, 2020. As of March 31, 2021, the majority of the outstanding balance of the our investments as of December 31, 2020 has been recovered.

Trade receivables

Our net trade receivables decreased by 8.2% from RMB196.0 million as of December 31, 2019 to RMB179.9 million as of December 31, 2020, primarily due to enhanced collection management to reduce the percentage of trade receivables over three months from 40% as of December 31, 2019 to 8% as of December 31, 2020.

Trade payables

Our trade payables increased by 34.4% from RMB39.5 million as of December 31, 2019 to RMB53.1 million as of December 31, 2020, primarily due to the growth of data service cost and advertising and information technology services expenditure in the last quarter of year 2020, which resulted in higher balance of trade payables as of December 31, 2020.

Accrued expenses and other current liabilities

Our accrued expenses and other current liabilities increased by 14.4% from RMB124.1 million as of December 31, 2019 to RMB142.0 million as of December 31, 2020, primarily as a result of an increase of RMB13.3 million in accrued payroll and welfare from RMB71.0 million to RMB84.3 million and an increase of RMB5.6 million in Value Added Tax and surcharges payable from RMB8.0 million to RMB13.6 million.

Indebtedness

Our lease liabilities are in relation to properties that we lease for our offices and staff quarters. The following table sets forth our lease liabilities as of the dates indicated:

	As of December, 31	
	2019	**2020**
	(RMB in thousands)	
Current	49,629	**44,896**
Non-current	116,014	**86,439**
Total	165,643	**131,335**

Our total lease liabilities decreased from RMB165.6 million as of December 31, 2019 to RMB131.3 million as of December 31, 2020, mainly due to the payment of rent according to lease contract in 2020.

Key Financial Ratios

The following table sets forth our key financial ratios for the years indicated:

	For the Year Ended December 31,	
	2019	**2020**
	(RMB in thousands)	
Total revenue growth	47.0%	**(9.9%)**
Data analytics services	28.6%	**1.8%**
Precision marketing services	49.3%	**(34.7%)**
Insurance distribution services	102.6%	**1.9%**
Gross margin[(1)]	77.0%	**73.7%**
Net margin[(2)]	(7.5%)	**(9.6%)**
Gearing ratio[(3)]	1.94	**1.95**

Notes:

(1) Gross margin equals gross profit divided by revenues for the period and multiplied by 100%.

(2) Net margin equals (loss)/profit divided by revenues for the period and multiplied by 100%.

(3) Gearing ratio equals total liabilities divided by total assets as of the end of the period.

We analysed and disclosed the fluctuations reasons of our total revenue growth and gross margin in the section of Comparison of Year Ended December 31, 2020 and 2019.

Our net margin decreased from (7.5%) for the year ended December 31, 2019 to (9.6%) for the year ended December 31, 2020. The decrease was primarily due to (i) the decrease in our gross profit as a result of the decrease in revenue impacted by COVID-19 and (ii) the increase in changes in the fair value of redeemable convertible preferred shares.

DIRECTORS' REPORT

The Board is pleased to present this Directors' report together with the consolidated financial statements of the Group for the year ended December 31, 2020.

General information

The Company was incorporated under the laws of the Cayman Islands on June 21, 2018 as an exempted limited liability company. The Company's Class B Shares were listed on the Main Board of the Stock Exchange on March 31, 2021.

Principal activities

The principal activity of the Company is investment holding. The principal business of the Company's subsidiaries is AI-powered technology services. Analysis of the principal activities of the Group during the year ended December 31, 2020 is set out in Note 1 to the consolidated financial statements.

All of the Group's operating assets are located in the PRC and all of the Company's revenue and operating profits are derived from the PRC during the Reporting Period. Accordingly, no segment analysis based on geographical locations is provided.

Business review

A business review of the Group, as required by Schedule 5 to the Companies Ordinance, including a fair review of the Company's business, a description of the principal risks and uncertainties facing the Company, particulars of important events affecting the Company that have occurred since the end of the financial year, an indication of likely future developments in the Group's business, an analysis of the Group's financial performance and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the "Business review" and "Management discussion and analysis" on pages 5 to 17 of this annual report. These discussions form part of this Directors' report. Events affecting the Company that have occurred since the end of the financial year is set out in "Recent developments after the Reporting Period" in "Business review".

Principal risks and uncertainties

Our business involves certain risks as set out in the section headed "Risk factors" in the Prospectus. The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control.

- We operate in a rapidly evolving market, which makes it difficult to evaluate our future prospects.
- We face challenges from the evolving regulatory environment and user attitudes towards data privacy and protection.
- Actual or alleged failure to comply with data privacy and protection laws and regulations could materially and adversely affect our business and results of operations.

- Our historical growth is not indicative of our future performance, and if we fail to manage our operations and expenses during our rapid expansion, our business, results of operations and financial condition could be harmed.

- We have incurred net losses and negative operating cash flow in the past, which we may continue to experience in the future.

- If we fail to develop and innovate our products and services, our business, financial performance and prospects may be materially and adversely affected.

- Our business could be materially and adversely harmed by the tightening of laws, regulations or standards that affect financial institutions or non-financial institutions.

- If we are not able to continue to broaden data access in the future, our business, results of operations and financial condition could be materially and adversely affected.

- If we are deemed to engage in a personal credit reporting business and violate any PRC laws or regulations governing personal credit reporting businesses, our business, financial condition, results of operations and prospects could be materially and adversely affected. In particular, we are subject to uncertainties surrounding the 2021 Draft Measures for Credit Reporting Business, the implementation of which may have an adverse impact on our business, financial condition and results of operations.

- If our data labels are out of date, inaccurate or lack credible information, we may not be able to provide quality services for our clients, which could adversely impact our business.

- Our arrangements with FSP clients are typically not exclusive. Failure to maintain relationships with existing FSP clients, especially our major clients, or develop new ones may materially and adversely affect our business and results of operations.

Environmental policies and performance

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

Compliance with relevant laws and regulations

Save as disclosed in the Prospectus and as may be disclosed in the Environmental, Social and Governance Report to be published, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

Connected transactions

During the year ended December 31, 2020, save as disclosed in this annual report, no related party transaction disclosed in Note 31 to the consolidated financial statements falls under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules for which disclosure is required. The Company was not subject to the disclosure requirements pursuant to Chapter 14A of the Listing Rules for the year ended December 31, 2020 as its Class B Shares were only listed on the Stock Exchange in March 2021.

Contractual Arrangements

Background to the Contractual Arrangements

We currently conduct our data analytics services, precision marketing services and insurance distribution services (the "**Relevant Businesses**") through our Consolidated Affiliated Entities in the PRC as PRC Laws, or their implementation by relevant government authorities, generally prohibit or restrict foreign ownership in the Relevant Businesses. Currently, PRC Laws restrict foreign ownership of value-added telecommunications service providers (in addition to imposing a qualification requirement on the foreign owners).

As a result of the restrictions imposed by PRC Laws, we are unable to own or hold any direct equity interest in our Consolidated Affiliated Entities. Accordingly, the term 'ownership' or the relevant concept, as applied to our Company in this document, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any equity interest in our Consolidated Affiliated Entities. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our Consolidated Affiliated Entities, are narrowly tailored to achieve our business purpose and minimise the potential for conflict with relevant PRC Laws.

All of the Contractual Arrangements are subject to the foreign ownership restrictions described herein and as set out in the Prospectus.

Risks relating to the Contractual Arrangements and actions taken to mitigate the risks

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 79 to 84 of the Prospectus.

- If the PRC government deems that our contractual arrangements with our variable interest entity do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

- Our current corporate structure and business operations may be affected by the newly enacted Foreign Investment Law.

- We rely on contractual arrangements with our variable interest entity and its shareholders to exercise control over our business, which may not be as effective as direct ownership in providing operational control.

- If we exercise the option to acquire equity ownership and assets of Beijing Bairong, the ownership transfer may subject us to certain limitations and substantial costs.

- The shareholders of our variable interest entity may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

- Our contractual arrangements with our variable interest entity may be subject to scrutiny by the PRC tax authorities and they may determine that we or our variable interest entity owe additional taxes, which could negatively affect our financial condition and the value of your investment.

- We may lose the ability to use and benefit from assets held by our variable interest entity and its subsidiaries that are material to the operation of our business if the entity goes bankrupt or become subject to a dissolution or liquidation proceeding.

The structuring and implementation of the Contractual Arrangements, including the detailed terms of the Contractual Arrangements, as discussed herein, is designed to mitigate these risks.

PRC laws and regulations

Data analytics and precision marketing services

Pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Edition) (外商投資准入特別管理措施 (負面清單) (2020)) (the "**Negative List**"), provision of value- added telecommunications services falls within the 'restricted' category. As such, the shareholding percentage of a foreign investor in companies engaged in value-added telecommunications services shall not exceed 50%. Moreover, pursuant to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), a provider of 'operational internet information services' (namely services involving the provision of information or website-design services through the internet to internet-users for a fee) is required to obtain an ICP licence. See "Regulations-Regulation on Foreign Investment" in the Prospectus for details of limitations on foreign ownership in PRC companies conducting value-added telecommunications services.

Since our data analytics and precision marketing businesses involve the operation of commercial internet information services, which is a sub-category of valued-added telecommunications business, for which an ICP licence is required, our data analytics and precision marketing businesses are subject to foreign ownership restrictions. Therefore, our data analytics and precision marketing services are conducted by, and ICP licences are held by, Beijing Bairong and Guangzhou Shurong Internet Micro-lending Co., Ltd..

Insurance distribution services

We offer insurance distribution services through Liming and its brokers. Although insurance distribution services are not strictly subject to foreign investment restrictions, our insurance distribution services are fully integrated with our underlying data analytics and customer relationship management systems and cannot be separated from such systems as explained below. Given that the operations of our insurance distribution services are integrated with the data analytics infrastructure, which requires an ICP licence, and they are highly interconnected, correlated and inseparable from each other, it is necessary for the Company to operate our insurance distribution business under the Contractual Arrangements and we are of the view that the Contractual Arrangements remain narrowly tailored for the reasons set out in detail on pages 215 to 217 in the Prospectus.

Qualification requirements

Article 10 of the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the "**FITE Regulations**") further provides that a major foreign investor which invests in a value-added telecommunications business in the PRC must possess prior experience in, and a proven track record of good performance of, operating value-added telecommunications businesses overseas (the "**Qualification Requirements**"). Foreign investors that meet these requirements must obtain approvals from the MIIT which retain discretion in granting such approvals.

The MIIT issued a Guidance Memorandum on the Application Requirements for Establishing Foreign-invested Value-added Telecommunications Enterprises in the PRC ("**Guidance Memorandum**"). According to this Guidance Memorandum, a foreign investor applicant is required to provide, as proof of the satisfaction of the Qualification Requirements, a description of the value-added telecommunications services previously provided by itself or its direct shareholder, supported by, among other things, screenshots of licence and filings previously obtained and websites and apps previously operated, as well as previous telecommunication business licences issued by the relevant local authorities (unless where no licence is required in the relevant jurisdiction). The Guidance Memorandum, however, does not provide any further guidance on the proof, records or documents required to support the proof satisfying the Qualification Requirements.

Notwithstanding the above, we have adopted a specific plan and will continue to expend genuine efforts and financial resources towards meeting the Qualification Requirements. We will remain abreast of any regulatory developments and continuously assess whether we meet the Qualification Requirements, with a view to unwinding the Contractual Arrangements wholly or partially as and when practicable and permissible under the prevailing PRC Laws.

We are implementing a business plan with a view to building up a track record of overseas telecommunication business operations. We believe that such business plan represents our commitment and a meaningful endeavour to demonstrate compliance with the Qualification Requirements. The Company is in the process of expanding its overseas value-added telecommunications business through its offshore subsidiaries. In particular, we have taken the following concrete steps to ensure compliance with the Qualification Requirements:

- we have registered a number of global top-level domain names (including "brgroup.com") outside of the PRC, and have constructed an English website that will help potential overseas users to better understand the Company's services and businesses;

- we have registered a trademark outside of the PRC (namely "百融雲創") and are in the process of registering a number of overseas trademarks for the promotion of the Company's services and businesses overseas;

- we have established three subsidiaries in Hong Kong (namely Bairong HK Limited, Baoshu Tech Limited and Banyan HK Limited) for the purpose of registering and holding overseas intellectual properties, promoting the Company's services and businesses, and entering into business contracts with offshore counterparties; and

- through our aforementioned offshore subsidiaries, we have been exploring business opportunities for the Relevant Businesses in overseas markets.

We had expended approximately RMB10,000 in connection with our plan as of March 12, 2021. The officer from the MIIT also confirmed that the above steps are generally deemed helpful to prove that the Qualification Requirements have been fulfilled. Based on the above, and subject to the discretion of competent authority, our PRC Legal Adviser is of the view that the above steps are generally regarded as relevant and reasonable factors to prove that the Qualification Requirements have been fulfilled.

Summary of the Contractual Arrangements

The Contractual Arrangements in place for the Reporting Period were:

- **Exclusive Consulting Services Agreement.** Pursuant to the exclusive consulting services agreement dated June 27, 2019, Onshore Holdco agreed to engage WFOE as the exclusive provider to Onshore Holdco and its subsidiaries of management, consultancy, technical support, business support, and equipment services. In consideration of the services provided by WFOE, Onshore Holdco shall pay services fees to WFOE, which, subject to WFOE's adjustment at its sole discretion, shall consist of all of the profit before taxes of Onshore Holdco. The service fees shall be paid annually by Onshore Holdco upon receipt of invoice issued by WFOE. WFOE has the exclusive and proprietary rights to all intellectual properties developed by Onshore Holdco and enjoys all the economic benefits generated from such intellectual properties.

- **Exclusive Purchase Option Agreement.** Pursuant to the exclusive purchase option agreement dated June 27, 2019, WFOE or its designee was granted an irrevocable and exclusive right to purchase (i) from each of the registered shareholders all or any part of their equity interests in Onshore Holdco and/or (ii) from Onshore Holdco all or any part of its assets or interests in any of its assets. The purchase price payable by WFOE or its designee in respect of the transfer of shares or assets shall be the lowest price permitted under PRC Laws, and the Registered Shareholders shall return the purchase price in full to WFOE or its designee.

- **Equity Pledge Agreement.** Pursuant to the equity pledge agreement on June 27, 2019, the then registered shareholders pledged all of their respective equity interests in Onshore Holdco to WFOE as collateral security to guarantee performance of their contractual obligations under the Contractual Arrangements and all liabilities, monetary debts or other payment obligations arising out of or in relation with the Contractual Arrangements. Upon the occurrence of an event of default, unless it is successfully resolved to WFOE's satisfaction within 10 days upon being notified by WFOE, WFOE may exercise its right of pledge immediately or any time thereafter or otherwise dispose of the pledged equity interest in accordance with applicable Laws and have priority in the entitlement to the sale proceeds. The Registered Shareholders have agreed to irrevocably waive their pre-emptive right as existing shareholders when WFOE exercises such right of pledge.

- **Voting Proxy Agreement.** Pursuant to the shareholder voting rights proxy agreement on June 27, 2019, each of the then registered shareholders appointed WFOE and/or its designee as their exclusive agent and attorney to act on their behalf on all matters concerning Onshore Holdco and to exercise all of their rights as shareholder of Onshore Holdco. As a result of the Voting Proxy Agreement, the Company, through WFOE, is able to exercise management control over the activities that most significantly impact the economic performance of Onshore Holdco.

- **Loan Agreement.** Pursuant to the loan agreement between WFOE and Tianjin Saiji, WFOE agreed to provide a loan to Tianjin Saiji to finance its holding of equity interests in Onshore Holdco. All the equity interests in Onshore Holdco held and to be acquired by the borrower (the “**Acquired Interests**”) will be pledged to WFOE. As long as the Acquired Interests are pledged to WFOE, the borrower will not need to repay the loan. The consideration for the Acquired Interests payable by WFOE shall equal the principal of the loan, and the transfer of Acquired Interests under the Loan Agreement shall constitute repayment of the Loan Agreement by the borrower.

See pages 220 to 225 of the Prospectus for details of the material terms of the Contractual Arrangements.

Apart from the above, there were no other new Contractual Arrangements entered into, renewed or reproduced during the financial year ended December 31, 2020. Save as disclosed above or in the Prospectus, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2020.

For the year ended December 31, 2020, none of the Contractual Arrangements had been terminated as none of the restrictions that led to the adoption of the contracts under the Contractual Arrangements has been removed.

Substantially all of the Group’s total revenue and net assets are derived from the Consolidated Affiliated Entities that are subject to the Contractual Arrangements. The total revenue and net assets derived from the Consolidated Affiliated Entities that are subject to the Contractual Arrangements is approximately RMB1,136.5 million for the year ended December 31, 2020 and approximately RMB885.1 million as at December 31, 2020, respectively.

Listing Rules implications and waivers

For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of ‘connected person’, our Consolidated Affiliated Entities will be treated as our Company’s subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and its associates will be treated as connected persons of our Company as applicable under the Listing Rules (excluding for this purpose, the Consolidated Affiliated Entities themselves). Therefore, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules.

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

However, in respect of the Contractual Arrangements and related new intergroup agreements, we have applied for, and the Stock Exchange has granted us, waivers from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement to set a term of three years or less under Rule 14A.52 of the Listing Rules, and (iii) the requirement set annual caps under Rule 14A.53 of the Listing Rules, for so long as our Class B Shares are listed on the Stock Exchange subject to conditions.

Confirmation from independent non-executive Directors

The Company's independent non-executive Directors will review the Contractual Arrangements on an annual basis to confirm that:

(i) the transactions carried out during the year have been entered into in accordance with the relevant provisions of the Contractual Arrangements;

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

(iii) no new contracts were entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the year other than the ones disclosed above;

(iv) the Contractual Arrangements have been entered into in the ordinary and usual course of business of the Group;

(v) the Contractual Arrangements have been entered into on normal commercial terms or better; and

(vi) the Contractual Arrangements have been entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Reporting from the Company's independent auditor

The Class B Shares were only listed in March 2021. The auditor of the Company will be engaged to carry out procedures annually, and to confirm in a letter to the Board each year, with respect to Contractual Arrangements and the transactions contemplated therein:

(i) whether the transactions have been approved by the Board;

(ii) for transactions involving the provision of goods or services by the Group, whether the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) whether the transactions have been entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

(iv) whether the transactions have exceeded the annual cap (if any) as set by the Company; and

(v) any dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

Weighted voting rights

The Company is controlled through weighted voting rights. Under this structure, the Company's share capital comprises Class A Shares and Class B Shares. Each Class A Share entitles the holder to exercise 10 votes, and each Class B Share entitles the holder to exercise one vote, on any resolution tabled at the Company's general meetings, except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote.

The WVR structures to enable the WVR Beneficiary to exercise voting control over the Company notwithstanding that the WVR Beneficiary does not hold a majority economic interest in the share capital of the Company. This will enable the Company to benefit from the continuing vision and leadership of the WVR Beneficiary who will control the Company with a view to its long-term prospects and strategy.

Investors are advised to be aware of the potential risks of investing in companies with a WVR structure, in particular that the interests of the WVR Beneficiary may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiary will be in a position to exert significant influence over the affairs of our Company and the outcome of Shareholders' resolutions, irrespective of how other Shareholders vote. Investors should make the decision to invest in the Company only after due and careful consideration.

The WVR Beneficiary is Mr. Zhang. Mr. Zhang is interested in 84,299,615 Class A Shares, representing approximately 67.23% of the voting rights in the Company immediately after the Global Offering, and entitled to control 15,000,000 Class B Shares representing approximately 1.20% of the voting rights in the Company immediately after the Global Offering with respect to shareholder resolutions relating to matters other than the Reserved Matters. The Class A Shares are held by Genisage Tech Inc., which is wholly owned by Genisage Holdings Limited. The entire interest in Genisage Holdings Limited is held through a trust which was established by Mr. Zhang (as settlor) for the benefit of himself and his family.

Major customers

We have attracted a large and diversified group of FSP clients. As of December 31, 2020, we had served more than 4,500 FSP clients in China, including substantially all of China's national banks, more than 700 regional banks, substantially all of China's consumer finance companies, over 90 major insurance companies and a variety of other FSPs.

During the year ended December 31, 2020, less than 30% of our total revenue was generated from our five largest customers combined.

None of the Directors, their respective close associates, or any Shareholder (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any interest in any of our five largest customers during the year ended December 31, 2020.

Major suppliers

Our suppliers primarily include internet or insurance marketing service providers.

During the year ended December 31, 2020, less than 30% of our total purchases was made form the five largest suppliers combined.

None of the Directors, their respective close associates, or any Shareholder (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any interest in any of our five largest suppliers during the year ended December 31, 2020.

Pre-emptive rights

There are no provisions for pre-emptive rights under the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

Tax relief and exemption of holders of listed securities

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

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 1 to the consolidated financial statements.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2020 are set out in Note 11 to the consolidated financial statements.

None of the Company's properties are held for development and/or sale or for investment purposes.

Share capital and shares issued

Details of movements in the share capital of the Company for the year ended December 31, 2020 are set out in Note 29 to the consolidated financial statements.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

Donation

During the year ended December 31, 2020, the Group made charitable donations of RMB nil.

Debenture issued

The Group has not issued any debentures during the year ended December 31, 2020.

Equity-linked agreements

Save as disclosed in the section headed "Share Schemes" in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2020.

Dividend

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends.

Permitted indemnity

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

A permitted indemnity provision (as defined in section 469 of the Companies Ordinance) for the benefit of the Directors is currently and was in force for the year ended December 31, 2020.

The Company has not taken out liability insurance to provide additional coverage for the Directors.

Reserves

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2020 are set out in the consolidated statement of changes in equity on page 64 and in Note 29 to the consolidated financial statements, respectively. The Company did not have any distributable reserve as at December 31, 2020.

Loans and borrowings

There was no bank loans, overdrafts or other borrowings of the Group for the year ended December 31, 2020.

Directors' service contracts

Each of our executive Directors has entered into a service contract with our Company. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association).

Each of our non-executive Directors entered into an appointment letter with our Company. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association).

Each of our independent non-executive Directors entered into an appointment letter with our Company. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association).

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Directors' interests in transactions, arrangements or contracts of significance

Save as disclosed in the section "Connected Transactions" of this Directors' report, none of the Directors or any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2020.

Emoluments of directors and the five highest paid individuals

In compliance with the Corporate Governance Code, the Company has established the remuneration committee of the Company to formulate remuneration policies.

The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the remuneration committee.

The Directors and the senior management personnel are eligible participants of 2019 ESOP and 2021 ESOP, details of which are set out in the Prospectus and Note 28 to the consolidated financial statements.

Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 8 and Note 9 to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Contracts with controlling shareholders

Save as set out in "Connected Transactions" above and the Underwriting Agreements (as defined in the Prospectus), no contract of significance or contract of significance for the provision of services has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the year ended December 31, 2020.

Management contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2020.

Auditor

The consolidated financial statements of the Group have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

Continuing disclosure obligations pursuant to the Listing Rules

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

Directors' rights to acquire shares or debentures

Save as disclosed in this annual report, at no time during the year ended December 31, 2020 was the Company or any of its subsidiaries, fellow subsidiaries or its holdings companies a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

By order of the Board
Zhang Shaofeng
Chairperson

Beijing, China
April 15, 2021

DIRECTORS AND SENIOR MANAGEMENT

Directors

The Directors who held office during the year ended December 31, 2020 and up to the date of this annual report are:

Executive Directors

Mr. Zhang Shaofeng (張韶峰)
Mr. Zhao Hongqiang (趙宏強)
Ms. Zhao Jing (趙靜)

Non-executive Directors

Mr. Bai Linsen (柏林森)
Mr. Ren Xuefeng (任雪峰)
Mr. Li Qiang (李強)

Independent non-executive Directors

Professor Chen Zhiwu (陳志武)
Mr. Zhou Hao (周浩)
Professor Guo Yike (郭毅可)

Executive Directors

Mr. Zhang Shaofeng (張韶峰), aged 43, is our founder, executive Director, chairperson and chief executive officer of our Company. He is also a director of Beijing Bairong and serves as director or executive director in a number of our subsidiaries and Consolidated Affiliated Entities.

Mr. Zhang has over 16 years of experience in operations and management of data analytics businesses and internet technology companies in China. Prior to founding our Company, Mr. Zhang served as a director, partner and chief data officer of Percent Corporation, an enterprise involved in data intelligence technology in China, from August 2010 to March 2014, with responsibility for the development and operations of their big data products. Before joining Percent Corporation, Mr. Zhang worked at Tianya Community Network, an information and e-commerce platform in China from February 2010 to August 2010. From May 2009 to January 2010, he worked at IBM (China) Investment Limited.

Mr. Zhang received both his bachelor's degree and master's degree in electrical engineering from Tsinghua University in China, in July 2000 and June 2003 respectively.

During the past three years, Mr. Zhang has not been a director of any listed companies.

Mr. Zhao Hongqiang (趙宏強), aged 44, is our executive Director and chief financial officer. He is also a director of Beijing Bairong.

Mr. Zhao currently serves as an independent director of HUYA Inc. (NYSE: HUYA), a leading China-based game live streaming company and Li Auto, Inc. (NASDAQ: LI), an innovator in China's new energy vehicle market, since May 2018 and July 2020 respectively. Previously, Mr. Zhao served as chief financial officer of NetEase Lede Technology Co., Ltd Beijing Branch from October 2014 to October 2015, and vice president of finance at SouFun Holdings Limited (now known as Fang Holdings Limited) (NYSE: SFUN) from May 2013 to August 2014. Mr. Zhao previously held the position of assistant chief auditor at the Public Company Accounting Oversight Board, a regulatory oversight agency under the SEC. He was also employed with KPMG LLP in the United States from August 2001 to February 2009, with the most recent position being Manager Audit.

Mr. Zhao received a bachelor's degree in accounting from Tsinghua University in China, in July 1999 and a master's degree in accountancy from George Washington University, in Washington D.C. in the United States, in July 2001.

Ms. Zhao Jing (趙靜), aged 42, is our executive Director. She now serves as vice president of finance, having joined our Group in August 2018.

Ms. Zhao served as the finance centre director of CITIC Press Corporation (SZSE: 300788) from March 2013 to October 2016. Prior to that, Ms. Zhao served as audit manager at KPMG Huazhen LLP in China, from August 2004 to February 2013.

Ms. Zhao received a bachelor's degree in accounting from Beijing Jiaotong University in China, in July 2001 and a master's degree in accounting and finance from the University of Southampton in the United Kingdom, in July 2004.

During the past three years, Ms. Zhao has not been a director of any listed companies.

Non-executive Directors

Mr. Bai Linsen (柏林森), aged 48, has served as our non-executive Director since June 2018. He is also a director of Beijing Bairong.

Mr. Bai currently serves as vice president and chief technology officer of Saxo Fintech Co., Ltd., since August 2020. He served as vice president and chief technology officer of Shanghai Bingsheng Technology Co., Limited, from October 2018 to March 2020. Mr. Bai served as a director at Percent Corporation from April 2011 to January 2016.

Mr. Bai, a Chartered Financial Analyst holder, received a bachelor's degree in physics from University of Science and Technology of China in July 1991. He received a master's degree in Science from the University of Illinois in the United States in August 2000.

During the past three years, Mr. Bai has not been a director of any listed companies.

Mr. Ren Xuefeng (任雪峰), aged 41, has served as our non-executive Director since September 2019. He is also a director of Beijing Bairong.

Mr. Ren currently serves as managing director of the investment department at China Reform Fund Management Co., Ltd ("**China Reform Fund**") since October 2017. He was previously executive director and investment director of the China Reform Fund from October 2016 to September 2017 and from March 2015 to September 2016 respectively. Mr. Ren currently serves as a director on the boards of Propitious Morningstar Limited since November 2018, CRF Summit Investment Limited since February 2019 and Waterdrop Investment Limited since March 2019. He is a licenced fund investor by the Asset Management Association of China.

Mr. Ren received a bachelor's degree in automation and control technology and instrumentation in July 2001 and a master's degree in mechanical engineering in November 2011, both from Harbin Institute of Technology in China.

During the past three years, Mr. Ren has not been a director of any listed companies.

Mr. Li Qiang (李強), aged 52, has served as our non-executive Director since July 2020. He is also a director of Beijing Bairong.

Mr. Li currently serves as the operating managing director of Zhuhai Hillhouse Equity Investment Management Co., Ltd., since February 2017.

Mr. Li received his bachelor's degree, master's degree and Ph.D. in aircraft design from Northwestern Polytechnical University in China in July 1991, July 1993 and June 1996 respectively. He also completed an executive master of business administration from China Europe International Business School in China, in August 2008.

During the past three years, Mr. Li has not been a director of any listed companies.

Independent non-executive Directors

Professor Chen Zhiwu (陳志武), aged 58, has been our independent non-executive Director since March 2021.

Professor Chen is a director of the Asia Global Institute and Chair Professor of Finance and the Victor and William Fung Professor in Economics at the University of Hong Kong since July 2016. Previously, Professor Chen was a professor of finance at Yale University for 18 years until 2017. He was also a special-term visiting professor at Peking University (School of Economics) and Tsinghua University (School of Social Sciences). Professor Chen was a PACAP Research Fellow at the University of Wisconsin-Madison in the United States from 1994 to 1995. Professor Chen received the Graham and Dodd Award for his research in 2013.

Professor Chen has served as an independent director and chairman of the corporate governance and nominating committee of Noah Holdings (NYSE: NOAH), since December 2013. Previously, Professor Chen was an independent non-executive director of IDG Energy Investment Limited (formerly known as Shun Cheong Holdings Limited) (HKEX: 650) from July 2015 to October 2018, Bank of Communications Co., Ltd. (HKEX: 3328) from August 2010 to August 2018 and PetroChina Company Limited (HKEX: 857) from May 2011 to June 2017.

Professor Chen received his Ph.D. from Yale University in the United States, in December 1990.

Mr. Zhou Hao (周浩), aged 44, has been our independent non-executive Director since March 2021.

Mr. Zhou is the chief strategic officer and president of international business of 58.com Inc., (NYSE: WUBA, delisted), a company that operates online marketplace serving local merchants and consumers in China since April 2020 and September 2019 respectively. Mr. Zhou served as chief financial officer of 58.com Inc., from May 2011 to September 2019. In September 2010, Mr. Zhou joined CITIC Pharmaceutical Co Ltd., a pharmaceutical service provider that supplies medicine and related consumables to hospitals as chief financial officer. Mr. Zhou was the vice president of finance and the chief financial officer at Wuxi PharmaTech (Cayman) Inc. (NYSE: WX, delisted) from May 2009 to September 2010. Mr. Zhou joined General Electric (China) Co., Ltd. in January 2007 as a financial manager.

Mr. Zhou has served as an independent non-executive director, chairman of the audit committee and member of the nomination committee of Meitu, Inc. (HKEX: 1357) since December 2016.

Mr. Zhou received his bachelor's degree from Shanghai International Studies University in China, in July 1998.

Professor Guo Yike (郭毅可), aged 58, has been our independent non-executive Director since March 2021.

Professor Guo has served as the Vice-President (Research and Development) of Hong Kong Baptist University since January 2020. Professor Guo is a Professor of Computing Science and the founding Director of the Data Science Institute at Imperial College London.

Professor Guo has served as an independent non-executive director of Tatwah Smartech Co., Ltd. (SZSE: 002512) since March 2018. Professor Guo has also served as an independent non-executive director of Lizhi Inc. (NASDAQ: LIZI) since September 2020 and as an independent director of Zhongguancun Development Group Co., Ltd. since December 2020. He was elected as a Fellow of the Royal Academy of Engineering (FREng) and a Member of Academia Europaea (MAE) in 2018.

Professor Guo received his bachelor's degree in Computer Science from Tsinghua University in China, in July 1985 and his PhD in Engineering from Imperial College London in the United Kingdom, in August 1994.

Senior management

Our senior management team comprises of Mr. Zhang Shaofeng, Mr. Zhao Hongqiang and Ms. Zhao Jing, who are each an executive Director of our Company. See "— Executive directors" for their biographies.

Joint company secretary(ies)

Mr. Chen Chunyang (陳春陽), is our joint company secretary. Mr. Chen joined our Group in May 2017, and has served in various capacities including as chief investment officer. He joined Shanghai Fangchuang Financial Information Service Co., Ltd., a venture capitalist investor, from April 2014 to May 2017. Mr. Chen received his bachelor's degree in electronic information engineering from the Tianjin University of Technology in China in June 2014.

Ms. Leung Shui Bing (梁瑞冰), is our joint company secretary. Ms. Leung currently serves as a manager of the listing services department at TMF Hong Kong Limited.

Ms. Leung obtained her bachelor's degree in business and management studies (accounting and finance) from the University of Bradford in the United Kingdom in July 2008, and a master's degree in corporate governance from the Open University of Hong Kong in August 2017. Ms. Leung is a Chartered Secretary, a Chartered Governance Professional and an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

Changes to directors' information

Save as disclosed in this annual report, since the Listing Date and as at the date of this annual report, there has been no change to the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Disclosure under Rule 8.10 of the Listing Rules

Save and except for the interests of our Controlling Shareholders in our Company and its subsidiaries, during the year ended December 31, 2020, neither our Controlling Shareholders nor any of our Directors had any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the Company for the year ended December 31, 2020.

Compliance with the Corporate Governance Code

Since we were not yet listed on the Stock Exchange during the year ended December 31, 2020, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules was not applicable to us during such period. After the Listing, save as disclosed in the Prospectus and this corporate governance report, we will comply with all the code provisions set forth in the Corporate Governance Code.

Code provision A.2.1 of the Corporate Governance Code, recommends, but does not require, that the roles of chairperson and chief executive should be separate and should not be performed by the same person. The Company deviates from this provision because Mr. Zhang performs both the roles of the chairperson of the Board and the chief executive officer of the Company. Mr. Zhang is the founder of the Group and has extensive experience in the business operations and management of our Group. Our Board believes that vesting the roles of both chairperson and chief executive officer to Mr. Zhang has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning. This structure will enable our Company to make and implement decisions promptly and effectively.

Our Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and three independent non-executive Directors. Our Board will reassess the division of the roles of chairperson and the chief executive officer from time-to-time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of our Group as a whole.

Compliance with the Model Code for Securities Transactions by Directors

The Class B Shares were only listed on the Stock Exchange on March 31, 2021, since which time the Model Code has been applicable to the Company. The Model Code did not apply to the Company for the year ended December 31, 2020.

The Company has adopted the Management Trading of Securities Policy (the "**Code**"), with terms no less exacting that the Model Code, as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Code.

Board composition

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

During the year ended December 31, 2020 and up to the date of this corporate governance report, the composition of the Board comprises the following Directors:

Executive Directors

Mr. Zhang Shaofeng *(Chairperson and chief executive officer, member of nomination committee)*
Mr. Zhao Hongqiang
Ms. Zhao Jing

Non-executive Directors

Mr. Bai Linsen *(member of audit committee and remuneration committee)*
Mr. Ren Xuefeng
Mr. Li Qiang

Independent non-executive Directors

Professor Chen Zhiwu *(chairperson of remuneration committee and corporate governance committee, member of audit committee)*
Mr. Zhou Hao *(chairperson of audit committee and nomination committee, member of remuneration committee and corporate governance committee)*
Professor Guo Yike *(member of nomination committee and corporate governance committee)*

The biographical information of the Directors is disclosed under "Directors and Senior Management" on pages 31 to 34 of this annual report.

There are no material/relevant relationships (including financial, business, family) between members of the Board.

Board meetings and committee meetings

Code provision A.1.1 of the Corporate Governance Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

During the year ended December 31, 2020, the Board held 1 meeting. No annual general meeting or committee meetings were held.

A summary of the attendance record of the Directors at Board meetings and committee meetings is set out in the following table below:

	Number of meeting(s) attended/Number of meeting(s) held					
Director	**Annual general meeting**	**Board meeting**	**Audit committee**	**Remuneration committee**	**Nomination committee**	**Corporate governance committee**
Zhang Shaofeng	N/A[1]	1/1	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Zhao Hongqiang	N/A[1]	1/1	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Zhao Jing	N/A[1]	1/1	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Bai Linsen	N/A[1]	1/1	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Ren Xuefeng	N/A[1]	1/1	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Li Qiang	N/A[1]	1/1	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Chen Zhiwu	N/A[1]	1/1	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Zhou Hao	N/A[1]	1/1	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Guo Yike	N/A[1]	1/1	N/A[1]	N/A[1]	N/A[1]	N/A[1]

Note:

(1) During the year ended 31 December 2020, there was no annual general meeting and no meeting of the audit committee, remuneration committee, nomination committee or corporate governance committee was held as the Class B Shares were only listed in March 2021.

Following the Listing, in accordance with code provision A.2.7 of the Corporate Governance Code, apart from the regular Board meeting above, the chairperson of the Board will hold annual meeting(s) with the independent non-executive Directors without the presence of other Directors.

Independent non-executive directors

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

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

Appointment and re-election of Directors

Code provision A.4.1 of the Corporate Governance Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 of the Corporate Governance Code states that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Each of our executive Directors has entered into a service contract with our Company. The term of office of our executive Directors is three years or until the third annual general meeting of our Company since the Listing Date (whichever is sooner).

Each of our non-executive Directors entered into an appointment letter with our Company. The term of office of our non-executive Directors is three years or until the third annual general meeting of our Company since the Listing Date (whichever is sooner).

Each of our independent non-executive Directors has entered into an appointment letter with our Company. The term of office of our independent non-executive Directors is three years or until the third annual general meeting of our Company since the Listing Date (whichever is sooner).

Responsibilities, accountabilities and contributions of the Board and management

The Board is the primary decision-making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company. 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. The Group's senior management is responsible for the day-to-day management of the Group's business and is responsible for overseeing the general operation, business development, finance, marketing, and operations.

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

The Company has not purchased insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

Board committees

The Board has established four committees, namely, the audit committee, the remuneration committee, the nomination committee and the corporate governance committee, for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange.

Audit committee

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code.

The primary duties of the audit committee are to review and supervise the financial reporting process and the risk management and internal control systems of the Group, review and approve connected transactions and provide advice and comments to the Board.

The audit committee comprises one non-executive Director and two independent non-executive Directors, being Mr. Zhou Hao, Mr. Bai Linsen and Professor Chen Zhiwu, with Mr. Zhou Hao (being our independent non-executive Director with the appropriate professional qualifications) as the chairperson of the audit committee.

As the Class B Shares were only listed in March 2021, no audit committee meetings were held during the year ended December 31, 2020.

Remuneration committee

The Company established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code.

The primary duties of the remuneration committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management.

The remuneration committee comprises one non-executive Director and two independent non-executive Directors, being Professor Chen Zhiwu, Mr. Zhou Hao and Mr. Bai Linsen, with Professor Chen Zhiwu as the chairperson of the remuneration committee.

The remuneration committee has adopted the second model described in paragraph B.1.2(c) under Appendix 14 to the Listing Rules (i.e. make recommendation to the Board on the remuneration packages of individual executive Directors and senior management members).

As the Class B Shares were only listed in March 2021, no remuneration committee meetings were held during the year ended December 31, 2020.

Details of the remuneration paid or payable to each Director of the Company for the year ended December 31, 2020 are set out in Note 8 to the consolidated financial statements.

All the members of senior management were also a Director or chief executive of the Company, whose remunerations are already disclosed on an individual basis in Note 8 to the consolidated financial statements.

Nomination committee

The Company has established a nomination committee in compliance with the Corporate Governance Code.

The primary duties of the nomination committee are to make recommendations to our Board on the appointment or re-appointment of Directors and management of Board succession.

The nomination committee comprises one executive Director and two independent non-executive Directors, being Mr. Zhang Shaofeng, Professor Guo Yike and Mr. Zhou Hao, with Mr. Zhou Hao as the chairperson of the nomination committee.

As the Class B Shares were only listed in March 2021, no nomination committee meetings were held during the year ended December 31, 2020.

Corporate governance committee

The Company has established a corporate governance committee in compliance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code.

The primary duties of the corporate governance committee are to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to the WVR structure of the Company.

The corporate governance committee comprises of three independent non-executive Directors, namely Professor Chen Zhiwu, Professor Guo Yike and Mr. Zhou Hao. Professor Chen Zhiwu is the chairperson of the corporate governance committee.

As the Class B Shares were only listed in March 2021, no corporate governance committee meetings were held during the year ended December 31, 2020.

The corporate governance committee will be required to confirm to the Board it is of the view that the Company has adopted sufficient corporate governance measures to manage the potential conflict of interest between the Group and the beneficiaries of weighted voting rights in order to ensure that the operations and management of the Company are in the interests of the Shareholders as a whole indiscriminately.

The corporate governance committee will be required to review the remuneration and terms of engagement of the Compliance Advisor, and to confirm to the Board that it is not aware of any factors that would require it to consider either the removal of the current Compliance Advisor or the appointment of a new compliance advisor.

Board diversity policy

Our Company adopted a board diversity policy on March 16, 2021 which sets out the approach to achieve diversity of the Board. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the nomination committee will consider a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. Pursuant to the board diversity policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

As of the date of this annual report, the Company had a total of nine Directors. There is a diverse mix of educational background and professional experience. The nomination committee has reviewed the diversity policy and considers that, appropriate balance has been stricken among the Board members in terms of skills, experience and perspectives.

Dividend policy

In accordance with code provision E.1.5 of the Corporate Governance Code, the Company adopted a dividend policy (the "**Dividend Policy**") on March 16, 2021, which outlines the principles and guidelines that the Company intends to apply in relation to the declaration, payment and distribution of dividends to the Shareholders.

The Company does not have a fixed dividend payout ratio. The Company currently intends to retain most, if not all, of the available funds and any future earnings to operate and expand its business.

Director nomination policy

In accordance with paragraph L(d)(ii) of the Corporate Governance Code, the Company adopted a nomination policy for nomination of directors (the "**Director Nomination Policy**") on March 16, 2021. Such policy ensures that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

According to the Director Nomination Policy:

(i) the ultimate responsibility for selection and appointment of Directors rests with the entire Board;

(ii) the nomination committee shall identify, consider and recommend suitable individuals to the Board to consider and to make recommendations to the Shareholders for election of Directors at a general meeting either to fill a casual vacancy or as an addition to the Board;

(iii) in assessing the suitability and the potential contribution to the Board of a proposed candidate, the nomination committee would reference, among others, the candidates' reputation for integrity, professional qualifications and skills, accomplishment and experience in the private education sector, commitment in respect of available time and relevant interest, independence of proposed independent non-executive Directors; and diversity in all aspects; and

(iv) the nomination committee shall make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

Continuous professional development of Directors

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

Directors should participate in continuous professional development to develop and refresh their knowledge and skills.

During the year ended December 31, 2020, the key methods of attaining continuous professional development by each of the Directors are recognised as follows:

Director	Attended training session	Reading materials
Zhang Shaofeng	✓	✓
Zhao Hongqiang	✓	✓
Zhao Jing	✓	✓
Bai Linsen	✓	✓
Ren Xuefeng	✓	✓
Li Qiang	✓	✓
Chen Zhiwu	✓	✓
Zhou Hao	✓	✓
Guo Yike	✓	✓

Directors' responsibility in respect of the financial statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2020. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement by the auditor of the Company, KPMG, about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 54 to 59 of this annual report.

Corporate governance function

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

The Board has reviewed and monitored the Company's policies and practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and disclosure in this corporate governance report.

Risk management and internal control

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

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains 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.

The senior management is responsible for the overall implementation of risk management and internal control plans and policies determined by the Board and managing the risks in connection with all of the Company's business operations. The senior management identifies, assess and take measures against any significant risks that the Company is facing, and reviews the risk assessment report on a regular basis and reports to the Board on a regular basis.

The Board did not identify any significant unresolved areas of concern prior to the Listing.

The audit committee assists the Board in leading the management and monitoring and overseeing the risk management and internal control systems through the internal audit department, and reporting and making recommendations to the Board where appropriate.

After the Listing, the management will confirm to the Board and the audit committee on the effectiveness of the risk management and internal control systems for each financial year.

The Board, as supported by the audit committee as well as the management report and the internal audit findings by the internal audit department, will review the effectiveness of the Company's and its subsidiaries' risk management and internal control systems, including the financial, operational and compliance controls, for each financial year, and will consider whether such systems are effective and adequate.

The annual review will also cover the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Board is responsible for the handling and dissemination of inside information. In order to ensure the market and stakeholders are timely and fully informed about the material developments in the Company's business, the Board has adopted the inside information disclosure policy regarding the procedures of proper information disclosure. As such, the inside information will not be passed on to any external party.

Joint company secretaries

Mr. Chen Chunyang and Ms. Leung Shui Bing are the Company's joint company secretaries. Ms. Leung Shui Bing is an external secretarial service provider.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Mr. Chen Chunyang, a joint company secretary of the Company, has been designated as the primary contact person at the Company who would work and communicate with Ms. Leung Shui Bing, also a joint company secretary on the Company's corporate governance and secretarial and administrative matters.

Auditors scope of work

The Company auditor's statement in respect of their reporting responsibilities is set out in the "Independent Auditor's Report" of this annual report.

Auditor's remuneration

A breakdown of the remuneration in respect of audit and non-audit services provided by the auditor to the Company for the year ended December 31, 2020 is set out below:

Service category	Fees paid (RMB'000)
Audit services (including audit for the Company's IPO)	5,740
Non-audit services (internal control consulting and tax consulting)	780

Shareholders' rights

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

Convening an extraordinary general meeting by Shareholders

Pursuant to Article 13.3 of the Articles of Association, extraordinary general meetings shall be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company on a one vote per share basis, which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

Putting forward proposals at general meetings

The Board is not aware of any provisions allowing the Shareholders to put forward proposals at general meetings of the Company under the Articles of Association and the Companies Law of the Cayman Islands. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

Procedure for Shareholders to propose a person for election as a director

Shareholders may propose a person for election as a director, the procedures for which are available on the Company's website.

Putting forward enquiries to the Board

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

Contact details

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

Address: 1–3/F, Tower A, No. 10 Furong Street, Chaoyang District, Beijing, China
Telephone: (+86) 010-64718828
Email: ir@brgroup.com

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

Communication with shareholders and investor relations

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

The Board adopted a shareholders' communication policy on March 16, 2021, with reference to Corporate Governance Code.

The Company discloses information and publishes periodic reports and announcements to the public in accordance with the Listing Rules, the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

Significant changes to constitutional documents

During the year ended December 31, 2020, there was no significant change in the memorandum and articles of association of the Company. As set out in the Prospectus, the Company adopted the Memorandum and Articles of Association as defined therein with effect from the Listing Date.

Directors' and chief executives' interests and short positions in shares and underlying shares and debentures of the Company or any of its associated corporations

The Class B Shares of the Company were not listed until March 2021. Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors or chief executive of the Company as at December 31, 2020.

As at the Listing Date, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code, to be notified to our Company and the Stock Exchange are set out below:

Name	Nature of interest	Number of Shares	Approximate % of interest in each class of share(1)
Mr. Zhang(2)	Interest in a controlled corporation	84,299,615 Class A Shares	100.00%
	Interest in a controlled corporation	15,000,000 Class B Shares	3.65%
Mr. Zhao Hongqiang	Beneficial owner	800,000 Class B Shares	0.19%
Ms. Zhao Jing	Beneficial owner	341,880 Class B Shares	0.08%
Mr. Bai Linsen	Interest in a controlled corporation	5,907,745 Class B Shares	1.44%

Notes:

(1) The calculation is based on the total number of 84,299,615 Class A Shares and 410,989,715 Class B Shares in issue immediately after the Listing.

(2) This includes 84,299,615 Class A Shares held by Genisage Tech Inc. and 15,000,000 Class B Shares held by GeniAI Tech Ltd. Genisage Tech Inc. is wholly owned by Genisage Holdings Limited. The entire interest in Genisage Holdings Limited is held through a trust which was established by Mr. Zhang (as settlor) for the benefit of himself and his family. GeniAI Tech Ltd. is wholly owned by RongXing Trust, which is managed by Mr. Zhang and two employees. Mr. Zhang is deemed to be interested in the Class B Shares held by GeniAI Tech Ltd..

Substantial shareholders' interests and short positions in shares and underlying shares

The Shares of the Company were not listed until March 2021. Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors or chief executive of the Company as at December 31, 2020.

As at the Listing Date, the following persons (other than the Directors and chief executives whose interests have been disclosed in this annual report) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company, pursuant to section 336 of the SFO,:

Name	Capacity/Nature of interest	Number of Shares	Approximate % of interest in each class of share[(1)]
Class A Shares			
Genisage Tech Inc.[(2)]	Beneficial owner	84,299,615 (L)	100.00%
Genisage Holdings Limited[(2)]	Interest in controlled corporations	84,299,615 (L)	100.00%
Mr. Zhang[(2)]	Founder of a trust	84,299,615 (L)	100.00%
Class B Shares			
HH BR-I Holdings Limited[(3)]	Beneficial owner	40,493,370 (L)	9.85%
Tianjin GLTC Enterprise Management Consultation, L.P.[(3)]	Interest in controlled corporations	40,493,370 (L)	9.85%
Zhuhai Gaoling Tiancheng Investment Management Co., Ltd.[(3)]	Interest in controlled corporations	46,035,585 (L)	11.20%
CRF Summit Investment Limited[(4)]	Interest in controlled corporations	28,170,780 (L)	6.85%
Tianjin Shenghuatianxi Enterprise Management Partnership L.P.[(4)]	Interest in controlled corporations	28,170,780 (L)	6.85%
Xinjiang Guoxin Equity Investment Management Co., Ltd.[(4)]	Interest in controlled corporations	44,571,580 (L)	10.84%
China Reform Investment Fund Management Co., Ltd.[(4)]	Interest in controlled corporations	44,571,580 (L)	10.84%
China Reform Fund Management Co., Ltd.[(4)]	Interest in controlled corporations	44,571,580 (L)	10.84%
China Reform Holdings Corporation Ltd.[(4)]	Interest in controlled corporations	44,571,580 (L)	10.84%
Morgan Stanley	Interest of controlled corporations	40,165,075 (L) 18,573,000 (S)	8.10% 3.74%
Morgan Stanley & Co. International plc	Underwriter	40,140,935 (L) 18,573,000 (S)	8.10% 3.74%
Morgan Stanley International Holdings Inc.	Interest of controlled corporations	40,140,935 (L) 18,573,000 (S)	8.10% 3.74%
Morgan Stanley International Limited	Interest of controlled corporations	40,140,935 (L) 18,573,000 (S)	8.10% 3.74%
Morgan Stanley Investment (UK)	Interest of controlled corporations	40,140,935 (L) 18,573,000 (S)	8.10% 3.74%
Max Elegant Limited[(5)]	Beneficial owner	30,937,545 (L)	7.53%
Tianjin Sequoia Huanrong Enterprise Management Consulting Center L.P.[(5)]	Interest in controlled corporations	30,937,545 (L)	7.53%

Name	Capacity/Nature of interest	Number of Shares	Approximate % of interest in each class of share[(1)]
Sequoia Capital Equity Investment Management (Tianjin) Limited[(4)]	Interest in controlled corporations	30,937,545 (L)	7.53%
Mr. Kui Zhou[(5)]	Interest in controlled corporations	30,937,545 (L)	7.53%
Cederberg Capital (Cayman)[(6)]	Interest in controlled corporations	29,276,000 (L)	7.12%
Cederberg Capital (Cayman) GP[(6)]	Interest in controlled corporations	29,276,000 (L)	7.12%
Dawid Krige[(6)]	Interest of controlled corporations	29,276,000 (L)	7.12%
Qianhai Golden Bridge IV LP[(7)]	Beneficial owner	25,704,335 (L)	6.25%
Qianhai Golden Bridge Management Ltd[(7)]	Interest in controlled corporations	25,704,335 (L)	6.25%
Qianhai Golden Bridge Co., Ltd.[(7)]	Interest in controlled corporations	25,704,335 (L)	6.25%
Mr. Wang Haipeng[(7)]	Interest in controlled corporations	25,704,335 (L)	6.25%
深圳中金前海樂四號基金中心[(7)]	Interest in controlled corporations	25,704,335 (L)	6.25%
CICC Qianhai Development (Shenzhen) Fund Management Co., Ltd[(7)]	Interest in controlled corporations	25,704,335 (L)	6.25%
CICC Capital Operation Co., Ltd.[(7)]	Interest in controlled corporations	25,704,335 (L)	6.25%
China International Capital Corporation Limited[(7)(8)]	Interest in controlled corporations	36,346,664 (L)	8.84%
Wu Capital Limited[(9)]	Beneficial owner	24,314,910 (L)	5.92%
TMF (Cayman) Ltd.[(9)]	Interest in controlled corporations	24,314,910 (L)	5.92%
Ms. Xinyi Cai[(9)]	Founder of a trust	24,314,910 (L)	5.92%
IDG-Accel China Growth Fund GP III Associates Ltd.[(10)]	Interest in controlled corporations	21,042,090 (L)	5.12%
Mr. Quan Zhou[(10)]	Interest in controlled corporations	21,042,090 (L)	5.12%
Mr. Chi Sing Ho[(10)]	Interest in controlled corporations	21,042,090 (L)	5.12%

Notes:

(1) The calculation is based on the total number of 84,299,615 Class A Shares and 410,989,715 Class B Shares in issue immediately after the Listing. The letter "L" and "S" stand for long position and short position, respectively.

(2) Genisage Tech Inc. is wholly owned by Genisage Holdings Limited. The entire interest in Genisage Holdings Limited is held through a trust which was established by Mr. Zhang (as settlor) for the benefit of himself and his family. GeniAI Tech Ltd. is wholly owned by RongXing Trust, which is managed by Mr. Zhang and two employees. Therefore Mr. Zhang is deemed to hold interests in Genisage Tech Inc. and GeniAI Tech Ltd.

(3) HH BR-I Holdings Limited is wholly owned by Tianjin GLTC Enterprise Management Consultation, L.P.. HH BR-III Holdings Limited is wholly owned by Tianjin GLZY Enterprise Management Consultation, L.P.. The general partner of both Tianjin GLTC Enterprise Management Consultation, L.P. and Tianjin GLZY Enterprise Management Consultation, L.P. is Zhuhai Gaoling Tiancheng Investment Management Co., Ltd.

(4) CRF Summit Investment Limited is wholly owned by Tianjin Shenghua Tianxi Enterprise Management Partnership L.P. and Waterdrop Investment Limited is wholly owned by Tianjin Zhonghe Tianxi Enterprise Management Partnership L.P., with Xinjiang Guoxin Equity Investment Management Co., Ltd. being their sole management company. Xinjiang Guoxin Equity Investment Management Co., Ltd. is wholly owned by China Reform Investment Fund Management Co., Ltd., with China Reform Fund Management Co., Ltd. being its largest single shareholder. China Reform Fund Management Co., Ltd. is wholly owned by China Reform Holdings Corporation Ltd.

(5) Max Elegant Limited is controlled by Tianjin Sequoia Huanrong Enterprise Management Consulting Center L.P., whose general partner is Sequoia Capital Equity Investment Management (Tianjin) Limited, which is owned by Kui Zhou and Lianqing Zhang as to 70% and 30% respectively.

(6) Cederberg Capital (Cayman), which is owned by Dawid Krige as to 64%, through its direct controlled corporation to hold 29,276,000 Class B Shares. Cederberg Capital (Cayman) GP, which is indirect owned by Dawid Krige as to 64%, have indirect interests in Cederberg Capital (Cayman).

(7) Qianhai Golden Bridge IV LP is a limited partnership established in the Cayman Islands controlled by Qianhai Golden Bridge Management Ltd, which is wholly owned by Qianhai Golden Bridge Co., Ltd. Qianhai Golden Bridge Co., Ltd is wholly owned by CICC Qianhai Development (Shenzhen) Fund Management Co., Ltd.. CICC Qianhai Development (Shenzhen) Fund Management Co., Ltd. is controlled by CICC Capital Operation Co., Ltd., which is wholly owned by China International Capital Corporation Limited. Mr. Wang Haipeng is the limited partner of Qianhai Golden Bridge IV LP contributing more than one third of the capital to Qianhai Golden Bridge IV LP. Mr. Wang Haipeng holds the interest on behalf of 深圳中金前海伯樂四號基金中心（有限合夥).

(8) Save for disclosed in note 6 above, China International Capital Corporation Limited also through its direct controlled corporation to hold 10,642,329 Class B Shares.

(9) Wu Capital Limited is wholly owned by TMF (Cayman) Ltd., which is the trustee of a family trust set up by Ms. Xinyi Cai.

(10) IDG-Accel China Growth Fund GP III Associates Limited indirectly controls IDG-Accel China Growth Fund III L.P. and is the general partner of IDG-Accel China III Investors L.P., each a shareholder of the Company. IDG-Accel China Growth Fund GP III Ltd. is managed and ultimately controlled by Mr. Quan Zhou and Mr. Chi Sing Ho.

Share Schemes

2019 ESOP

The following is a summary of the principal terms of the 2019 ESOP. The 2019 ESOP does not involve the grant of any share options after Listing and is not subject to Chapter 17 of the Listing Rules.

Purpose. The purpose of the 2019 ESOP is to promote the success and enhance the value of our Company by linking the personal interests of the participants to those of Shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Shareholders. The 2019 ESOP is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of the participants upon whose judgement, interest, and special effort the successful conduct of the Company's operation is largely dependent.

Eligible participant. Any person, including an officer, a director or a consultant of any member of a Group Entity (as defined therein), who is in the employment of or other contractual relationship with any member of the Group Entity. The Committee may, from time to time, select from among all eligible individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award (the "**Participant**"). No individual shall have any right to be granted an award pursuant to the 2019 ESOP.

Maximum number of Class B Shares. The maximum aggregate number of Class B Shares which may be issued pursuant to all awards under the 2019 ESOP shall be 49,817,780 Class B Shares. Class B Shares subject to any awards that terminate, expire or lapse for any reason shall again be available for the grant of an award pursuant to the 2019 ESOP. Class B Shares subject to any awards that are forfeited by the participant or repurchased by the Company may again be optioned, granted or awarded under the 2019 ESOP.

Duration. The 2019 ESOP shall become effective on the date of its adoption and shall expire on, and no award may be granted pursuant to the 2019 ESOP after the tenth anniversary of the effective date. Any awards that are outstanding on the tenth anniversary of the effective date shall remain in force according to the terms of the 2019 ESOP and the applicable memorialised in an agreement.

Outstanding options granted. As of March 12, 2021, the Company had conditionally granted options to 205 Participants under the 2019 ESOP. All the options under the 2019 ESOP were granted between May 20, 2016 and March 9, 2021 (both days inclusive) and our Company will not grant further options under the 2019 ESOP after the Listing.

Further details of the 2019 ESOP are set out in the Prospectus.

2021 ESOP

The following is a summary of the principal terms of the 2021 ESOP conditionally adopted by our Shareholders' resolutions dated March 16, 2021 with effect from Listing. The terms of the 2021 ESOP will be subject to Chapter 17 of the Listing Rules.

Purpose. The purpose of the 2021 ESOP is to provide Eligible Persons (defined below) with the opportunity to acquire proprietary interests in our Company and to encourage the Eligible Person to work towards enhancing the value of our Company and our Shares for the benefit of our Company and Shareholders as a whole. The 2021 ESOP will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to Eligible Persons.

Eligible Persons. Any individual, being an employee or director of any member of the Group or any Affiliate (including nominees, and/or trustees of any employee benefit trust established for them), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of our Group or any of our Group's affiliates who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options ("**Eligible Person(s)")**.

Maximum number of Class B Shares. The total number of Class B Shares which may be issued upon exercise of all options to be granted under the 2021 ESOP and any other share option scheme of our Company is 41,098,971, being no more than 10% of the Shares in issue on the date the Class B Shares commence trading on the Stock Exchange (the "**Option Scheme Mandate Limit**"). The overall limit on the number of Class B Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2021 ESOP and any other share option schemes of our Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the "**Option Scheme Limit**").

Maximum entitlement of a grantee. Unless approved by our Shareholders, the total number of Class B Shares issued and to be issued upon exercise of the options granted and to be granted under the 2021 ESOP and any other share option scheme(s) of our Company to each Eligible Person (including both exercised and outstanding options) in any 12 month period shall not exceed 1% of the total number of Shares in issue (the "**Individual Limit**"). Any further grant of options to an Eligible Person which would result in the aggregate number of Class B Shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders in general meeting (with such Eligible Persons and his associates abstaining from voting).

Subscription price. The price per Class B Share at which a grantee may subscribe for Class B Shares on the exercise of an option (the "**Subscription Price**") shall be such price determined by the Board in its absolute discretion and shall be no less than the higher of:

(i) the closing price of a Class B Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Class B Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Class B Share on the date of grant.

Time of exercise of an option. An option may, subject to the rules of the 2021 ESOP and the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as our Board may from time to time determine stating that the option is thereby exercised and the number of Class B Shares in respect of which it is exercised.

Duration. The 2021 ESOP shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted), but in all other respects the provisions of the 2021 ESOP shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the 2021 ESOP.

Outstanding options granted. As of the Listing Date, no options had been granted under the 2021 ESOP.

Further details of the 2021 ESOP are set out in the Prospectus.

Purchase, sale or redemption of the Company's listed securities

Save for the Global Offering, neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Material litigation

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2020. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group since the Listing Date and up to the date of this annual report.

Use of proceeds from the Global Offering

The Shares of the Company were only listed in March 2021. The Company raised new capital through its Global Offering in 2021, and details of the proposed use of proceeds are set out in the Prospectus.

Dividend

The Company has not opted to pay any dividends for the year ended December 31, 2020.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of Bairong Inc.
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Bairong Inc. (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 60 to 137, which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Revenue recognition

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

The Key Audit Matter	How the matter was addressed in our audit
The Group generates revenue from the provision of data analytics services, precision marketing services and insurance distribution services. The revenue from data analytics services, precision marketing services and insurance distribution services were RMB532 million, 265 million and 339 million, respectively, for the year ended December 31, 2020. Revenue from data analytics services is primarily generated from usage-based subscriptions contracts, and a small portion of revenue is generated from annual subscription contracts. Revenue on usage-based subscription contracts is recognised over time utilising the right to invoice expedient when the service is provided and billed. Revenue from precision marketing services is generally recognised at a point in time when a user applies for a financial product through the Group's platform or when the user's application is approved by the Group's customer. Insurance distribution services revenue is recognised at a point in time when the signed insurance policy is in place and the Group has a present right to payment from the insurance companies. The Group uses its information technology system ("**billing system**") to record the number of transactions with a customer and the billing amounts within a specified period for data analytics services. The Group performs periodic reconciliations and confirms the billing amounts within a specified period with its customers across all the service lines. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group which gives rise to an inherent risk that revenue could be subject to manipulation to meet targets or expectations.	Our audit procedures to assess the recognition of revenue included the following: • assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition; • confirming with customers, on a sample basis, the billing amounts for the year; • for unreturned confirmations, performing alternative procedures by checking the result of periodic reconciliations of the billing amounts between the Group and its customers against the accounting ledgers, and checking the customer payment amounts appearing on bank statements against the accounting ledgers; • inspecting manual adjustments to revenue raised during the reporting period or subsequent to the period end as a result of reconciliations with the customers, and comparing the amount of the adjustments with relevant underlying documentation on reconciliation; In addition to the above, the following procedures were performed on the revenue generated from data analytics services, in particular: • assessing, with the assistance of KPMG IT specialists, the accuracy of the number of transactions generated from the billing system, and performing re-calculations of the billing amounts for data analytics services within a specified period, on a sample basis; and • comparing, on a sample basis, the key billing information exported from the billing system, such as unit price, with the underlying customer contracts, and reconciling the amount of revenue billed in the billing system to the accounting system.

Determination of fair value of redeemable convertible preferred shares

Refer to Note 26 to the consolidated financial statements and the accounting policies in Note 2(r).

The Key Audit Matter	How the matter was addressed in our audit
The Group issued several series of redeemable convertible preferred shares prior to its public initial offering. The Group's measurement of the liabilities arising from the preferred shares involves the fair value as determined using a valuation model. Those fair values are based on a valuation model which requires a considerable number of inputs, including discounted cash flows which involve a number of key assumptions such as future growth rates for revenue and expenses, weighted average cost of capital and discount for lack of marketability. We identified the measurement of those fair values as a key audit matter because of the degree of complexity involved in valuing these financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation model.	Our audit procedures to assess those fair values included the following: • assessing the design and implementation of key internal controls over the fair value measurement; • assessing the reliability of management's cash flow forecasting process by comparing the previous year's forecasts with the current year's results, discussing significant variances with management and considering the effect of such variances on the current year's forecasts and considering whether there was any indication of management bias; • evaluating the assumptions adopted in the preparation of discounted cash flow forecasts, including future growth rates for revenue and expenses, with reference to our understanding of the business, historical trends and available industry information; • involving KPMG valuation specialists to assist us in evaluating management's valuation methodology with reference to the requirements of the prevailing accounting standards, in assessing the weighted average cost of capital by comparison with the weighted average cost of capital for similar companies in the same industry and in assessing the discount for lack of marketability by gathering market data including risk-free rates, volatilities, etc.

Information other than the consolidated financial statements and auditor's report thereon

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pang Shing Chor, Eric.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
April 15, 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2020

Expressed in Renminbi ("RMB")

	Note	2020 RMB'000	2019 RMB'000
Revenue	4	**1,136,532**	1,261,942
Cost of sales		**(298,395)**	(290,150)
Gross profit		**838,137**	971,792
Other income and loss, net	5	**35,424**	27,390
Research and development expenses		**(201,025)**	(216,414)
General and administrative expenses		**(199,857)**	(221,794)
Sales and marketing expenses		**(439,555)**	(567,821)
Impairment loss	6(c)	**(517)**	(4,420)
(Loss)/profit from operations		**32,607**	(11,267)
Net finance costs	6(a)	**(10,943)**	(10,170)
Changes in fair value of financial assets measured at fair value through profit or loss	15	**(775)**	(8,600)
Changes in fair value of convertible loan	25	**—**	8,403
Changes in fair value of redeemable convertible preferred shares	26	**(131,486)**	(76,173)
Loss before taxation	6	**(110,597)**	(97,807)
Income tax benefit	7	**1,536**	3,667
Loss for the year		**(109,061)**	(94,140)
Attributable to:			
Equity shareholders of the Company		**(110,555)**	(93,165)
Non-controlling interests		**1,494**	(975)
Loss for the year		**(109,061)**	(94,140)
Loss per share			
Basic and diluted (RMB)	10	**(0.81)**	(0.68)

The notes on pages 67 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020

Expressed in RMB

	2020 RMB'000	2019 RMB'000
Loss for the year	**(109,061)**	(94,140)
Other comprehensive income for the year	**—**	—
Total comprehensive income for the year	**(109,061)**	(94,140)
Attributable to:		
Equity shareholders of the Company	**(110,555)**	(93,165)
Non-controlling interests	**1,494**	(975)
Total comprehensive income for the year	**(109,061)**	(94,140)

The notes on pages 67 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

Expressed in RMB

		December 31,	
	Note	**2020** **RMB'000**	2019 RMB'000
Non-current assets			
Property, plant and equipment	11	**36,947**	40,681
Intangible assets	12	**30,091**	28,971
Right-of-use assets	13	**129,367**	167,903
Goodwill	14	**34,054**	34,054
Financial assets at fair value through profit or loss	15	**3,542**	3,542
Deferred tax assets	27	**12,575**	11,217
Restricted cash	20(b)	**5,722**	5,722
		252,298	292,090
Current assets			
Prepaid expenses and other current assets	19	**41,166**	77,634
Financial assets at fair value through profit or loss	15	**806,101**	545,695
Loans receivable	18	**6,351**	3,430
Trade receivables	17	**179,913**	195,994
Cash and cash equivalents	20(a)	**41,949**	150,917
		1,075,480	973,670
Current liabilities			
Trade payables	21	**53,136**	39,542
Convertible loan	25	**—**	—
Contract liabilities	23	**39,868**	34,059
Lease liabilities	24	**44,896**	49,629
Accrued expenses and other current liabilities	22	**142,033**	124,075
Redeemable convertible preferred shares	26	**—**	2,081,145
		279,933	2,328,450
Net current assets/(liabilities)		**795,547**	(1,354,780)
Total assets less current liabilities		**1,047,845**	(1,062,690)

The notes on pages 67 to 137 form part of these financial statements.

		December 31,	
		2020	2019
	Note	**RMB'000**	RMB'000
Non-current liabilities			
Redeemable convertible preferred shares	26	**2,212,631**	—
Lease liabilities	24	**86,439**	116,014
Deferred tax liabilities	27	**5,847**	6,025
		2,304,917	122,039
NET LIABILITIES		**(1,257,072)**	(1,184,729)
Equity			
Share capital	29(a)	**19**	19
Treasury shares	28	**—**	—
Reserves	29(b)	**(1,274,837)**	(1,201,000)
Total equity attributable to equity shareholders of the Company		**(1,274,818)**	(1,200,981)
Non-controlling interests		**17,746**	16,252
TOTAL DEFICIT		**(1,257,072)**	(1,184,729)

Approved and authorized for issue by the board of directors on April 15, 2021.

Zhang Shaofeng
Director

Zhao Hongqiang
Director

The notes on pages 67 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

Expressed in RMB

		Total equity attributable to equity shareholders of the Company								
		Ordinary share		Treasury shares		Reserves				
	Note	Shares	Amount RMB'000	Shares	Amount RMB'000	Capital reserve RMB'000	Accumulated deficit RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total deficit RMB'000
Balance as at January 1, 2019		40,278,909	19	(12,963,556)	—	106,899	(1,254,175)	(1,147,257)	16,924	(1,130,333)
Net loss		—	—	—	—	—	(93,165)	(93,165)	(975)	(94,140)
Disposal of a subsidiary		—	—	—	—	—	—	—	303	303
Share-based compensation	28	—	—	—	—	39,441	—	39,441	—	39,441
Repurchase and cancellation of ordinary shares	29(a)	(9,963,556)	—	9,963,556	—	—	—	—	—	—
Balance as at December 31, 2019 and January 1, 2020		**30,315,353**	**19**	**(3,000,000)**	**–**	**146,340**	**(1,347,340)**	**(1,200,981)**	**16,252**	**(1,184,729)**
Net loss		**–**	**–**	**–**	**–**	**–**	**(110,555)**	**(110,555)**	**1,494**	**(109,061)**
Share-based compensation	28	**–**	**–**	**–**	**–**	**36,718**	**–**	**36,718**	**–**	**36,718**
Balance as at December 31, 2020		**30,315,353**	**19**	**(3,000,000)**	**–**	**183,058**	**(1,457,895)**	**(1,274,818)**	**17,746**	**(1,257,072)**

The notes on pages 67 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

Expressed in RMB

	Note	**2020** **RMB'000**	2019 RMB'000
OPERATING ACTIVITIES			
Net loss		**(109,061)**	(94,140)
Adjustments for:			
Depreciation of property, plant and equipment	11	**17,990**	15,972
Amortisation of intangible assets	12	**1,305**	436
Depreciation of right-of-use assets	13	**58,547**	51,398
Loss on disposal of intangible assets		**1,556**	—
Impairment loss		**517**	4,420
Finance costs	6(a)	**10,851**	11,257
Changes in fair value of financial assets measured at fair value through profit or loss	15	**775**	8,600
Changes in fair value of convertible loan	25	**—**	(8,403)
Changes in fair value of redeemable convertible preferred shares	26	**131,486**	76,173
Share-based compensation	28	**36,718**	39,441
Deferred tax benefit	7	**(1,536)**	(3,667)
Investment income		**(27,779)**	(18,595)
Foreign exchange loss		**782**	—
Operating profit before changes in working capital		**122,151**	82,892
Changes in working capital			
Decrease/(increase) in trade receivables	17	**15,755**	(47,748)
Increase in loans receivable	18	**(3,089)**	(1,813)
Decrease/(increase) in prepaid expenses and other current assets	19	**36,468**	(21,309)
Increase in trade payables	21	**13,594**	30,344
Increase/(decrease) in contract liabilities	23	**5,809**	(19,800)
Increase in accrued expenses and other liabilities	22	**18,071**	40,420
NET CASH GENERATED FROM OPERATING ACTIVITIES		**208,759**	62,986

The notes on pages 67 to 137 form part of these financial statements.

Consolidated Statement of Cash Flows (Continued)

For the year ended December 31, 2020

Expressed in RMB

	Note	**2020** **RMB'000**	2019 RMB'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	**(14,392)**	(39,666)
Purchase of intangible assets	12	**(3,981)**	(3,779)
Purchase of investments		**(6,671,070)**	(7,568,317)
Proceeds from sale of investments		**6,437,668**	7,579,971
NET CASH USED IN INVESTING ACTIVITIES		**(251,775)**	(31,791)
FINANCING ACTIVITIES			
Repayment of bank loans	20(c)	**—**	(30,000)
Interest paid	20(c)	**—**	(710)
Payment of lease liabilities	20(c)	**(65,170)**	(61,922)
NET CASH USED IN FINANCING ACTIVITIES		**(65,170)**	(92,632)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(108,186)**	(61,437)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**150,917**	212,354
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(782)**	—
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**41,949**	150,917

The notes on pages 67 to 137 form part of these financial statements.

1 Principal Activities and Organisation

Bairong Inc. (the "Company"), was incorporated on June 21, 2018 in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Island.

The Company is an investment holding company. The Company and its subsidiaries, Bairong Yunchuang Technology Co., Ltd. ("Beijing Bairong") and Beijing Bairong's subsidiaries (collectively referred to as the "Group"), operates a leading independent AI-powered technology platform in China serving the financial services industry and is principally engaged in data analytics services, precision marketing services and insurance distribution services (the "Business"). The Group's operations and geographic markets are in the People's Republic of China (the "PRC").

The Group's history began in March 2014 with the commencement of operation of Beijing Bairong incorporated in the PRC. In addition to the shares held by the co-founders, Beijing Bairong issued ordinary shares to third party investors after its incorporation. From November 2014 to February 2018, Beijing Bairong issued Series A, A+, B, B+, C redeemable convertible preferred shares to third party investors.

The Company was incorporated in the Cayman Islands in June 2018 with an authorised share capital of USD50,000 divided into 500,000,000 shares with a par value of USD0.0001 each. Upon incorporation, the Company issued 18,776,522 ordinary shares to the co-founders.

Prior to the incorporation of the Company and the completion of the reorganisation as described below, the Business was carried out by Beijing Bairong and its subsidiaries. To rationalise the corporate structure in preparing for the initial public offering of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group entered into a series of reorganisation transactions ("the Reorganisation") to establish the Company as the ultimate holding company of the companies now comprising the Group, as detailed in Note 26 and Note 29(a) to the consolidated financial statements.

As the Business conducted by Beijing Bairong is subject to foreign investment restrictions under the relevant PRC laws and regulations, as part of the Reorganisation, Tianjin Bairong Technology Co., Ltd. ("WFOE"), an indirectly wholly-owned subsidiary of the Company, entered into a series of contractual arrangements (the "Contractual Arrangements") with Beijing Bairong and its registered shareholders to operate the Business.

The equity interests of Beijing Bairong are legally held by individuals and companies who act as registered shareholders of Beijing Bairong on behalf of the WFOE. The contractual agreements include a Shareholder Voting Rights Proxy Agreement, an Exclusive Purchase Option Agreement, an Exclusive Consulting and Services Agreement, an Equity Pledge Agreement and Spousal Consents (collectively, the "VIE Agreements"). Pursuant to the Contractual Agreements, the WFOE has the power to direct activities that most significantly impact the Beijing Bairong and its subsidiaries, including appointing key management, setting financial and operating policies, exerting financial controls and transferring profits or assets out of Beijing Bairong and its subsidiaries at its discretion. The WFOE considers that it also has the right to substantially all of the economic benefits of Beijing Bairong and has an exclusive option to purchase all or part of the equity interests in Beijing Bairong when and to the extent permitted by the PRC laws and regulations at the minimum price possible.

(Expressed in RMB unless otherwise indicated)

1 Principal Activities and Organisation (Continued)

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since March 31, 2021 by way of its initial public offering.

The following list contains only the particulars of subsidiaries as at December 31, 2020 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Company names	Place and date of incorporation	Nature of legal entity	Registered Capital	Held by the Company	Held by the Subsidiary	Principal activities
Directly held						
Bairong HK Limited (百融香港科技有限公司)	Hong Kong July 18, 2018	limited liability company	HKD10,000	100%	—	Investment holding
Baoshu Tech Limited (保數香港科技有限公司)	Hong Kong July 25, 2018	limited liability company	HKD10,000	100%	—	Investment holding
Banyan HK Limited (榕樹香港科技有限公司)	Hong Kong July 18, 2018	limited liability company	HKD10,000	100%	—	Investment holding
Indirectly held						
Tianjin Bairong Technology Co., Ltd. (天津百融科技有限公司)*	Tianjin, PRC August 14, 2018	limited liability company	RMB100,000,000	—	100%	Development, consulting and transfer services of software and hardware products and network technology
Tianjin Baoshu Technology Co., Ltd. (天津保數科技有限公司)*	Tianjin, PRC August 15, 2018	limited liability company	RMB100,000,000	—	100%	Development, consulting and transfer services of software and hardware products and network technology
Tianjin Rongshu Technology Co., Ltd. (天津榕樹科技有限公司)*	Tianjin, PRC August 14, 2018	limited liability company	RMB100,000,000	—	100%	Development, consulting and transfer services of software and hardware products and network technology
GeniAI Tech Ltd. ("ESOP entity") (note 1)	British Virgin Islands October 19, 2018	limited liability company	USD1	100%	—	Investment holding

(Expressed in RMB unless otherwise indicated)

1 Principal Activities and Organisation (Continued)

Company names	Place and date of incorporation	Nature of legal entity	Registered Capital	Held by the Company	Held by the Subsidiary	Principal activities
Held through Contractual Arrangements						
Bairong Yunchuang Technology Co., Ltd. ("Beijing Bairong") (百融雲創科技股份有限公司)*	Beijing, PRC March 19, 2014	limited liability company	RMB82,814,387	—	100%	Data processing services; big data services
Bairong Zhixin (Beijing) Credit Information Co., Ltd. ("Bairong Zhixin") (百融至信 (北京) 徵信有限公司)*	Beijing, PRC February 3, 2015	limited liability company	RMB50,000,000	—	100%	Enterprise credit services
Beijing Rongda Tianxia Information Technology Co., Ltd. (北京榮達天下信息科技有限公司)*	Beijing, PRC October 15, 2014	limited liability company	RMB1,000,000	—	100%	Technology development services
Guangzhou Shurong Internet Micro-lending Co., Ltd. ("Guangzhou Shurong") (廣州數融互聯網小額貸款有限公司)*	Guangzhou, PRC February 14, 2017	limited liability company	RMB100,000,000	—	100%	Micro-loan business
Liming Insurance Brokerage Co., Ltd. ("Liming") (黎明保險經紀有限公司)*	Beijing, PRC April 21, 2014	limited liability company	RMB55,555,500	—	63%	Insurance and reinsurance brokerage business
Shanghai Baozhu Information Technology Co., Ltd. (上海保築信息科技有限公司)*	Shanghai, PRC July 22, 2016	limited liability company	RMB5,000,000	—	100%	Development, consulting and transfer services of technology
Shenzhen Shuqu Information Technology Co., Ltd. (深圳數趣信息科技有限公司)*	Beijing, PRC May 30, 2016	limited liability company	RMB5,000,000	—	100%	Development of computer system and software technology
Bairong Zhixiang (Shenzhen) Technology Co., Ltd. (百融智享 (深圳) 科技有限公司)*	Hunan, PRC July 16, 2014	limited liability company	RMB10,000,000	—	100%	Development, consulting and promotion services of technology
Bairong (Guiyang) Financial Information Services Co., Ltd. (百融 (貴陽) 金融信息服務有限公司)*	Beijing, PRC February 20, 2017	limited liability company	RMB10,000,000	—	100%	Financial information services

(Expressed in RMB unless otherwise indicated)

1 Principal Activities and Organisation (Continued)

Company names	Place and date of incorporation	Nature of legal entity	Registered Capital	Held by the Company	Held by the Subsidiary	Principal activities
Shenzhen Bairong Borui Information Technology Co., Ltd. (深圳百融博瑞信息科技有限公司)*	Guangdong, PRC November, 12, 2020	limited liability company	RMB5,000,000	—	100%	Development, consulting and transfer services of technology
Shandong Riyue Insurance Box Information Technology Co., Ltd. (山東日月保盒信息科技有限公司)*	Beijing, PRC February 2, 2018	limited liability company	RMB5,000,000	—	100%	Software development services; data processing services
Hebei Xiong'an Bairong Information Technology Co., Ltd. (河北雄安百融科技有限公司)*	Hebei, PRC December, 21, 2020	limited liability company	RMB10,000,000	—	100%	Development of computer system and software technology
Tianjin Bairong Tongchuang Enterprise Management Consulting Center (L.P.) (天津百榮同創企業管理諮詢中心 (有限合夥))* (note 1)	Tianjin, PRC August 5, 2014	limited partnership	RMB300,000	—	100%	Enterprise management consulting
Tianjin Saiji Technology Co., Ltd. (天津賽吉科技有限責任公司)* (note 1)	Tianjin, PRC January 21, 2019	limited liability company	RMB 100,000,000	—	100%	Development, consulting and transfer services of technology

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

Note 1: GeniAI Tech Ltd. and Tianjin Bairong Tongchuang Enterprise Management Consulting Center (L.P.) were incorporated as a vehicle to hold the ordinary shares of the Company or Beijing Bairong, separately, under the share-based compensation plan. Tianjin Saiji Technology Co., Ltd. was incorporated for reorganisation purpose and designed to repurchase ordinary shares and preferred shares from shareholders of Beijing Bairong. As the Group or Beijing Bairong has power to govern the relevant activities of GeniAI Tech Ltd., Tianjin Bairong Tongchuang Enterprise Management Consulting Center (L.P.) and Tianjin Saiji Technology Co., Ltd. and can derive benefits from the operating of these entities, the directors of the Company consider that it is appropriate to consolidate these entities.

2 Significant Accounting Policies

(a) Statement of compliance

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

(b) Basis of preparation and presentation of the financial statements

The Reorganisation only involved interspersing entities with no substantive business operations as the new holding companies of Beijing Bairong and its subsidiaries. The original ordinary and preferred shareholders of Beijing Bairong have substantially identical respective rights over and substantially the same absolute and relative interests in the net assets of Business immediately before and after the Reorganisation. As there were no changes in the economic substance of the Business before and after the Reorganisation, the consolidated financial information of the Group has been presented as a continuation of the consolidated financial statements of Beijing Bairong and its subsidiaries, with assets and liabilities recognised and measured on at their historical carrying amounts prior to the Reorganisation, and with the preferred shares and ordinary shares of the Company treated as a continuation of the shares of Beijing Bairong.

The consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for each of the years ended December 31, 2020 and 2019 as set out in this report include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the year. The consolidated statement of financial position of the Group as at December 31, 2020 and 2019 as set out in this report have been prepared to present the financial position of the companies now comprising the Group as of those dates as if the current group structure had been in existence as of the respective dates.

The financial statements have been prepared under the going concern basis notwithstanding the fact that total liabilities exceeds the total assets by approximately RMB1,257.07 million as at December 31, 2020.

As of December 31, 2020, the Group recorded a financial liability representing the fair value of redeemable convertible preferred shares amounting to RMB2,212.63 million. The Directors and management of the Company have considered that the preferred rights and the redemption features of these redeemable convertible preferred shares would be terminated upon listing and the preferred shares will be converted into equity, leading to a significant improvement to the net liabilities position. Had the preferred shares been converted into equity, the Company's net asset position would have been RMB955.56 million as at December 31, 2020. In addition, as disclosed in Note 26, the Company secured an extension of the no-IPO redemption date of the redeemable convertible preferred shares in 2020, and the holders of the redeemable convertible preferred shares agreed to extend the no-IPO redemption date to July 1, 2022. Accordingly, the directors and management of the Company are of the opinion that the Company will continue in operation and be able to settle its liabilities for the foreseeable future, and therefore it is appropriate for the financial statements to be prepared on a going concern basis.

2 Significant Accounting Policies (Continued)

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

The financial statements are presented in RMB, rounded to the nearest thousands, except for earnings per share information.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for certain financial assets and liabilities measured at fair value as explained in Notes 2(g), (r) and (s).

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

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

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

(c) Changes in accounting policies

The Group has initially adopted the following accounting policies for annual financial statements covering periods beginning on or after 1 January 2020. Adopting these accounting policies does not have a material effect on the Group's financial statements.

	Effective Date
Revised Conceptual framework for financial reporting	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*	1 January 2020
Amendments to IFRS 3, *Definition of a Business*	1 January 2020
Amendments to IAS 1 and IAS 8, *Definition of Material*	1 January 2020

(d) Subsidiaries and non-controlling interests

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

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

2 Significant Accounting Policies (Continued)

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

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

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

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

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

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

In the Company's statement of financial position, an investment in a consolidated structured entity is stated at cost less impairment losses (see Note 2(k)(ii)), unless the investment is classified as held for sale.

2 Significant Accounting Policies (Continued)

(e) Associates

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

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

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

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

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

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

(f) Goodwill

Goodwill represents the excess of

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

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

2 Significant Accounting Policies (Continued)

(f) Goodwill (Continued)

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

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

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

(g) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investments. Investments in debt and equity securities are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 30(e). These investments are subsequently accounted for as follows, depending on their classification:

(i) Investments other than equity investments

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

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

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

— fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 Significant Accounting Policies (Continued)

(g) Other investments in debt and equity securities (Continued)

(ii) Equity investments

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

(h) Property, plant and equipment

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

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

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

— Right-of-use assets	Over the lease term
— Office and other equipment	3–5 years
— Electronic equipment	3–5 years
— Leasehold improvements	the shorter of the unexpired term of lease and estimated useful lives

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

2 Significant Accounting Policies (Continued)

(i) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(k)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

— Software	5–10 years
— Insurance brokerage licence	Indefinite useful life

The estimates and associated assumptions of useful life determined by the Group are based on technical and commercial obsolescence, legal or contractual limits on the use of the asset and other relevant factors. Based on the current functionalities equipped by the software and the daily operation needs, the Group considers a useful life of 5-10 years to be their best estimation.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

Research expenditures are recognised as an expenses as incurred. Costs incurred on development projects are capitalised as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalised as intangible assets as of December 31, 2020 and 2019.

2 Significant Accounting Policies (Continued)

(j) Lease

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

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

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

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(h) and 2(k)(ii)).

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

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

2 Significant Accounting Policies (Continued)

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

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

Measurement of ECLs

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

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

2 Significant Accounting Policies (Continued)

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

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

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

Significant increases in credit risk

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

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

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

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

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

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

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

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

2 Significant Accounting Policies (Continued)

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

(i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(w)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less allowance for impairment losses) of the financial asset.

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

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

— significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

2 Significant Accounting Policies (Continued)

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

(ii) Impairment of other non-current assets

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

— property, plant and equipment;

— intangible assets;

— right-of-use assets;

— goodwill;

— other non-current assets; and

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

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

— ***Calculation of recoverable amount***

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

— ***Recognition of impairment losses***

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

2 Significant Accounting Policies (Continued)

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

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

— ***Reversals of impairment losses***

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

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

(l) Other contract cost

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

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

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

(m) Contract assets and contract liabilities

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

2 Significant Accounting Policies (Continued)

(m) Contract assets and contract liabilities (Continued)

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

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

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

(n) Trade and other receivables

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

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

(o) Cash and cash equivalents

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

(p) Trade and other payables

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

2 Significant Accounting Policies (Continued)

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(y)).

(r) Redeemable convertible preferred shares

The Company issued certain series of instruments to investors. The instrument holders have the right to require the Group to redeem all of the instruments held by the instrument holders at guaranteed predetermined fixed amount at certain redemption events, which are out of the control of the Group. Upon the completion of the IPO, all the redeemable convertible preferred shares will be automatically converted into our fully paid and non-assessable ordinary shares.

Pursuant to IFRS 9, the instrument issued to investors are accounted for in their entirety as financial liabilities at fair value through profit or loss, with fair value changes reflected in change in fair value of redeemable convertible preferred shares within the consolidated statement of profit or loss and other comprehensive income, except for the portion attributable to credit risk change that should be charged to other comprehensive income. Accordingly, the embedded conversion features do not require future evaluation, bifurcation, and separate accounting as embedded derivatives as the change in fair value of embedded features are reflected in the change in fair value in the compound instrument under such whole instrument approach. Issue costs that are directly attributable to the issue of the instruments, designated as financial liabilities at fair value through profit or loss, are recognised immediately in the consolidated statement of profit or loss and other comprehensive income. The instrument are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

(s) Convertible loan

Convertible loan issued by the Group were converted into preferred shares upon the consummation of the Reorganisation as detailed in Note 25. The Group designated the convertible loan as financial liabilities at fair value through profit or loss. These financial liabilities are initially recognised at fair value. Any directly attributable transaction costs are recognised in profit or loss as incurred. The convertible loan is subsequently remeasured in accordance with Note 2(g).

2 Significant Accounting Policies (Continued)

(t) Employee benefits

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

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

(ii) Share-based payment

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

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

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the end of the years, then they are discounted to their present value.

2 Significant Accounting Policies (Continued)

(u) Income tax

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

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

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

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

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

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

2 Significant Accounting Policies (Continued)

(u) Income tax (Continued)

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

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

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

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

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

  — the same taxable entity; or

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

(v) Provisions and contingent liabilities

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

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

2 Significant Accounting Policies (Continued)

(w) Revenue recognition

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

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

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

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

(i) Data analytics services

(i) Information services:

Our revenue for data analytics services are derived from the provision of information services to our customers on a transactional basis, in which distinct services are delivered over time as the customer simultaneously receives and consumes the benefits of the services delivered. To measure our performance over time, the output method is utilised to measure the value to the customer based on the transfer to date of the services promised, with no rights of return once consumed. In these cases, revenue on usage-based subscription contracts with a defined price but an undefined quantity is recognised utilising the right to invoice expedient resulting in revenue being recognised when the service is provided and billed. Additionally, contracts with a defined price but an undefined quantity that utilise tier pricing would be defined as a series of distinct performance obligations satisfied over time utilising the same method of measurement, the output method, with no rights of return once consumed. This measurement method is applied on a monthly basis resulting in revenue being recognised when the service is provided and billed.

2 Significant Accounting Policies (Continued)

(w) Revenue recognition (Continued)

(i) Data analytics services (Continued)

(i) Information services: (Continued)

A small portion of our revenue is generated from annual subscription contracts under which a customer pays a preset fee for a predetermined or unlimited number of transactions or services provided during the subscription period, which is generally one year. Revenue from the subscription packages having a preset number of transactions is recognised as the services are provided, using an effective transaction rate as the actual transactions are delivered. Any remaining revenue related to unfulfilled units is not recognised until the end of the related contracts' subscription period. Revenue from the subscription packages having an unlimited volume is recognized ratably during the contract term.

(ii) Localised solutions and projects:

Localised solutions and projects provide customised enhancement or upgrades to our customers' risk management and underwriting systems. Revenue from these services is satisfied overtime as the Group provides services on customers' sites which creates an asset that the customers control as the Group performs their service. The Group currently measures the stage of completion using the output method by reference to the completion status reports acknowledged by the customers. Under the output method, the Group recognises revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract that best depict the Group's performance in transferring control of goods or services.

(ii) Precision marketing services

(i) Loans:

The Group provides recommendation services in respect of loan products offered by financial service providers on its platform, and assists the financial service providers or their loan sales representatives to identify qualified individual users or borrowers. The Group considers the financial service providers, including banks, micro-loan companies, consumer finance companies and other financial service providers to be their customers, and receives service fees from the customers primarily based on the number of applications of qualified borrowers. The price for each recommendation charged to the financial service providers is a fixed price or a percentage of loans approved as pre-agreed in the service contract, or pre-set in the bidding systems by the customers. Therefore, while loan size impacts our fees when the price for the recommendation charged to the FSPs is a percentage of the amount of loans approved by our customers, the loan duration does not impact our fees. Revenue is recognised when all of the revenue recognition criteria are met, which is generally when the identified borrowers submit a loan application to the customers or when the loan application is approved by our customers.

2 Significant Accounting Policies (Continued)

(w) Revenue recognition (Continued)

(ii) Precision marketing services (Continued)

(ii) Credit card:

The Group provides recommendation services in respect of credit card products offered by credit card issuers on its platform. The individual users can select and apply for the credit cards, and submit applications to credit card issuers. The Group is not involved in the credit card approval or issuance process. Service fee is charged to the customers, i.e., the credit card issuers, upon one of the following circumstances: (i) completion of an application; (ii) issuance of a credit card to the users; or (iii) first usage of a credit card by the users, depending on the terms of the specific contracts with the customers. Revenue is recognised when all of the revenue recognition criteria are met, which is generally upon the completion of an application (or the issuance or first usage, depending on the terms of the specific contracts with the customers).

(iii) Insurance distribution services

The primary source of revenue is commissions from insurance distribution services, determined based on a percentage of premiums paid by the policy holder. The brokerage fee rate is based on the terms specified in the service contract with the insurance company for each product sold through the Group. The Group determined that the insurance company, or the insurer, is its customer in this agreement. Insurance distribution services revenue is recognised when the signed insurance policy is in place and the Group has a present right to payment from the insurer since the Group has fulfilled its performance obligation to sell an insurance policy on behalf of the insurance company.

(iv) Interest income

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

(v) Dividends

Dividends income from equity investments is recognised when the investor's right to receive payment is established.

2 Significant Accounting Policies (Continued)

(w) Revenue recognition (Continued)

(vi) Government grants

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

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

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

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

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Borrowing costs

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

2 Significant Accounting Policies (Continued)

(y) Borrowing costs (Continued)

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

(z) Related parties

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

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

  (ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

2 Significant Accounting Policies (Continued)

(z) Related parties (Continued)

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

(aa) Segment reporting

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

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

The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group.

For the purpose of internal reporting and management's operation review, the Group's Chief Executive Officer and management personnel do not segregate the Group's business by service lines. All service categories are viewed as one and the only operating segment.

3 Accounting Judgement and Estimates

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

(a) Fair value of share-based compensation payments

As mentioned in Note 28, the Group has granted shares options to its employees. The Group has used binomial option-pricing model to determine the total fair value of the options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the Group in applying the binomial option-pricing model.

3 Accounting Judgement and Estimates (Continued)

(b) Fair value of financial instruments with preferred rights

As disclosed in Note 26, the fair value of financial instruments with preferred rights at the dates of issue and balance sheet dates were determined based on the valuation performed by an independent valuer, using valuation techniques. The Group uses its judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the respective valuation dates. The Group has used discounted cash flow to determine the business value of the Group, followed by option pricing models to determine the fair value of financial instruments with preferred rights, which involved the use of significant accounting estimates and judgements.

(c) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(d) Impairment of trade receivables

The Group estimates the amount of loss allowance for ECLs on trade and other receivables that are measured at amortised cost on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset s carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(e) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 14.

4 Revenue

The principal activities of the Group are providing data analytics services, precision marketing services and insurance distribution services in the PRC.

The amount of each significant category of revenue is as follows:

	2020 RMB'000	2019 RMB'000
Data analytics services	**532,041**	522,654
Precision marketing services	**264,505**	404,786
Insurance distribution services	**338,643**	332,236
Other services	**1,343**	2,266
	1,136,532	1,261,942

During the year, no customer individually accounted for more than 10% of the Group's total revenue.

Disaggregation of the Group's revenue from contracts with customers by the timing of revenue recognition is set out below:

	2020 RMB'000	2019 RMB'000
Point-in-time	**603,148**	737,022
Over-time	**533,384**	524,920
	1,136,532	1,261,942

Remaining Performance Obligation

The Group has elected the practical expedient not to disclose the information about remaining performance obligations which are part of contracts that have an original expected duration of one year or less and do not disclose the value of remaining performance obligations for contracts in which the Group recognises revenue at the amount to which the Group has the right to invoice.

All of the Group's operating assets are located in the PRC and all of the Company's revenue and operating profits are derived from the PRC during the years. Accordingly, no segment analysis based on geographical locations is provided.

5 Other income and loss, net

	2020 **RMB'000**	2019 RMB'000
Investment income from wealth management products	**10,095**	18,529
Investment income from trust plans	**17,684**	66
Government grants and others	**5,114**	4,860
Extra deduction of input VAT	**4,087**	3,935
Loss on disposal of intangible assets	**(1,556)**	—
	35,424	27,390

6 Loss before taxation

Loss before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	2020 **RMB'000**	2019 RMB'000
Interest expense on bank loans	**—**	710
Interest expense on lease liabilities	**10,851**	10,547
Interest income from bank deposits	**(690)**	(1,087)
Foreign currency exchange loss	**782**	—
Subtotal	**10,943**	10,170

(b) Staff cost

	Note	**2020** **RMB'000**	2019 RMB'000
Salaries, wages and other benefits		**338,799**	306,246
Contributions to defined contribution retirement plan[i]		**3,634**	22,841
Equity-settled share-based compensation expenses	28	**36,718**	39,441
Termination benefits		**4,013**	2,489
Subtotal		**383,164**	371,017

6 Loss before taxation (Continued)

(b) Staff cost (Continued)

Note:

(i) Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

(c) Other items

	2020 RMB'000	2019 RMB'000
Data service costs	**94,114**	73,446
Distribution and marketing expenditures	**221,057**	384,466
Insurance brokerage commission costs	**165,094**	180,767
Depreciation of property, plant and equipment	**17,990**	15,972
Amortisation of intangible assets	**1,305**	436
Depreciation of right-of-use assets	**58,547**	51,398
Impairment losses		
— Trade receivables	**326**	4,061
— Loans	**191**	359
Auditors' remuneration	**300**	221
Listing expenses	**20,901**	—

7 Income tax in the consolidated statement of profit or loss

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

	Note	**2020 RMB'000**	2019 RMB'000
Current tax			
— PRC Enterprise Income Tax ("EIT") Provision for the year		**—**	—
Deferred tax			
— Origination of temporary differences	27	**(1,536)**	(3,667)
		(1,536)	(3,667)

7 Income tax in the consolidated statement of profit or loss (Continued)

(b) Reconciliation between tax benefit and accounting loss at applicable tax rates:

	2020 **RMB'000**	2019 RMB'000
Loss before taxation	**(110,597)**	(97,807)
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned	**(27,649)**	(24,452)
Tax effect of preferential tax rate	**(1,565)**	2,225
Super-deduction of research and development expense	**(12,559)**	(11,919)
Tax effect of non-deductible expenses	**11,277**	10,342
Fair value changes in redeemable convertible preferred shares and convertible loans not deductible for tax purpose	**32,871**	16,942
Tax effect of tax losses and temporary differences not recognised	**(3,911)**	3,195
Actual income tax benefit	**(1,536)**	(3,667)

Notes:

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on either income or capital gain, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

The Company's Hong Kong subsidiaries, incorporated in July 2018, are subject to a profits tax rate of 8.25% for the first HKD2,000,000 of assessable profit and 16.5% for profit exceeding HKD2,000,000. No provision for Hong Kong profits tax was made as the Group had no estimated assessable profit that was subject to Hong Kong profits tax for the years ended December 31, 2020 and 2019.

PRC

Except for Beijing Bairong and Bairong Zhixin (Beijing) Credit Information Co., Ltd. ("Bairong Zhixin") who enjoy a preferential income tax rate, all the other subsidiaries established in the PRC are subject to an income tax rate of 25%, according to the PRC Enterprise Income Tax Law (the "EIT Law") in the years ended December 31, 2020 and 2019.

A "high and new technology enterprise" ("HNTE") is entitled to a favorable statutory tax rate of 15% and such qualification is reassessed by relevant governmental authorities every three years. In December 2016, Beijing Bairong was qualified as a "high and new technology enterprise" and therefore enjoyed the preferential statutory tax rate of 15% for the years ended December 31, 2019. In December 2019, Beijing Bairong received approval from the tax authority on the renewal of its HNTE status which entitled it to the preferential income tax rate of 15% from January 1, 2020 to December 31, 2022. Bairong Zhixin was subject to an income tax rate of 25% in the year ended December 31, 2019. In December 2020, Bairong Zhixin was qualified as a "high and new technology enterprise", which entitled it to the preferential income tax rate of 15% from January 1, 2020 to December 31, 2022.

8 Directors' emoluments

Directors' emoluments during the years is as follows:

Year ended December 31, 2020

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Share-based payments (i) RMB'000	Total RMB'000
Executive directors							
Zhang Shaofeng	—	864	140	8	1,012	—	1,012
Zhao Hongqiang	—	642	140	—	782	1,172	1,954
Zhao Jing	—	719	100	8	827	597	1,424
Non-executive directors							
Bai Linsen	—	—	—	—	—	—	—
Ren Xuefeng	—	—	—	—	—	—	—
Li Qiang	—	—	—	—	—	—	—
	—	2,225	380	16	2,621	1,769	4,390

Year ended December 31, 2019

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Share-based payments (i) RMB'000	Total RMB'000
Executive directors							
Zhang Shaofeng	—	869	36	50	955	—	955
Zhao Hongqiang	—	642	36	—	678	956	1,634
Zhao Jing	—	725	193	50	968	229	1,197
Non-executive directors							
Bai Linsen	—	—	—	—	—	—	—
Ren Xuefeng	—	—	—	—	—	—	—
Li Qiang	—	—	—	—	—	—	—
	—	2,236	265	100	2,601	1,185	3,786

8 Directors' emoluments (continued)

Notes:

(i) These represent the estimated value of share options granted to the directors under the Group's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(t)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

(ii) The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph Share option scheme in Note 28.

(iii) During the year, no emoluments were paid by the Group to the director as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Group waived or agreed to waive any emoluments during the years.

(iv) Mr. Zhang Shaofeng and Mr. Zhao Hongqiang were appointed as executive directors of the Company in June 2018 and Mr. Bai Linsen was appointed as non-executive director of the Company at the same time. Ms. Zhao Jing was appointed as an executive director of the Company in November 2020. Mr. Ren Xuefeng was appointed as a non-executive director of the Company in August 2019. Mr. Li Qiang was appointed as a non-executive director of the Company in July 2020. The amounts presented above represent the salaries, allowances and benefits in kind, discretionary bonus and retirement scheme contributions paid during the years.

9 Individuals with highest emoluments

The number of directors and non-directors included in the five highest paid individuals for the years ended December 31, 2020 and 2019 are set forth below:

	2020 **RMB'000**	2019 RMB'000
Directors	**1**	—
Non-directors	**4**	5
	5	5

The emoluments of the directors are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries, allowances and benefits in kind	**4,257**	4,796
Retirement scheme contributions	**17**	194
Discretionary bonuses	**550**	264
Share-based payment	**6,458**	9,159
Total	**11,282**	14,413

9 Individuals with highest emoluments (Continued)

The emoluments of the other individuals with the highest emoluments are all within the following band:

	2020 Number of individuals	2019 Number of individuals
Nil–HKD1,000,000	**—**	—
HKD1,000,001–HKD1,500,000	**—**	—
HKD1,500,001–HKD2,000,000	**3**	—
HKD2,000,001–HKD2,500,000	**1**	2
HKD2,500,001–HKD3,000,000	**—**	1
HKD3,000,001–HKD3,500,000	**—**	1
HKD3,500,001–HKD4,000,000	**1**	—
HKD4,000,001–HKD4,500,000	**—**	—
HKD4,500,001–HKD5,000,000	**—**	—
HKD5,000,001–HKD5,500,000	**—**	1
HKD5,500,001–HKD6,000,000	**—**	—

10 Basic and diluted loss per share

For the purpose of calculating loss per share as a result of the Reorganisation as described in Note 1, the number of shares used in the calculation reflects the outstanding shares of the Company as if the Reorganisation took place at the earliest period presented.

The following table sets forth the basic loss per share computation and the numerator and denominator for the years presented:

	2020	2019
Net loss attributable to equity shareholders of the Company (RMB'000)	**(110,555)**	(93,165)
Weighted average number of ordinary shares(Note)	**136,576,765**	136,576,765
Basic loss per share attributable to equity shareholders of the Company (in RMB per share)	**(0.81)**	(0.68)

Note: Weighted average number of ordinary shares in issue and basic loss per share were calculated taken into account the effect of the share subdivision as detailed in Note 33.

10 Basic and diluted loss per share (Continued)

Basic loss per share is calculated by dividing the net loss attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding and reversing the fair value changes and the share-based compensation cost of the dilutive potential ordinary shares to assume conversion of all dilutive potential ordinary shares. The Company has three categories of potential ordinary shares: preferred shares, share options and convertible loan. For the years ended December 31, 2020 and 2019, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would result in anti-dilution. Accordingly, diluted loss per share for the years ended December 31, 2020 and 2019 were the same as basic loss per share of the respective periods.

11 Property, plant and equipment

	Electronic equipment RMB'000	Office and other equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost:				
As at January 1, 2019	24,560	2,894	5,518	32,972
Additions	20,228	2,365	17,073	39,666
Disposals	(1,446)	(730)	—	(2,176)
As at December 31, 2019/January 1, 2020	**43,342**	**4,529**	**22,591**	**70,462**
Additions	**11,066**	**639**	**2,687**	**14,392**
Disposals	**(880)**	**(152)**	**—**	**(1,032)**
As at December 31, 2020	**53,528**	**5,016**	**25,278**	**83,822**
Accumulated depreciation:				
As at January 1, 2019	(10,917)	(2,001)	(2,718)	(15,636)
Charge for the year	(12,030)	(131)	(3,811)	(15,972)
Disposals	1,369	458	—	1,827
As at December 31, 2019/January 1, 2020	**(21,578)**	**(1,674)**	**(6,529)**	**(29,781)**
Charge for the year	**(10,794)**	**(1,342)**	**(5,854)**	**(17,990)**
Disposals	**770**	**126**	**—**	**896**
As at December 31, 2020	**(31,602)**	**(2,890)**	**(12,383)**	**(46,875)**
Net book value:				
As at December 31, 2019	21,764	2,855	16,062	40,681
As at December 31, 2020	**21,926**	**2,126**	**12,895**	**36,947**

12 Intangible assets

	Software RMB'000	Licence RMB'000	Total RMB'000
Cost:			
As at January 1, 2019	2,642	23,280	25,922
Additions	3,779	—	3,779
As at December 31, 2019/January 1, 2020	**6,421**	**23,280**	**29,701**
Additions	**3,981**	**—**	**3,981**
Disposals	**(2,075)**	**—**	**(2,075)**
As at December 31, 2020	**8,327**	**23,280**	**31,607**
Accumulated amortisation:			
As at January 1, 2019	(294)	—	(294)
Charge for the year	(436)	—	(436)
As at December 31, 2019/January 1, 2020	**(730)**	**—**	**(730)**
Charge for the year	**(1,305)**	**—**	**(1,305)**
Disposals	**519**	**—**	**519**
As at December 31, 2020	**(1,516)**	**—**	**(1,516)**
Net book value:			
As at December 31, 2019	5,691	23,280	28,971
As at December 31, 2020	**6,811**	**23,280**	**30,091**

Intangible assets mainly comprises of software and insurance brokerage licence. The insurance brokerage licence was acquired in the business combination of Liming and has an indefinite useful life. The legal term of the licence is 3 years but can be easily renewed upon expiry at an insignificant cost. Therefore, management concluded that the licence has indefinite useful life.

The Group evaluates indefinite-lived intangible asset each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortised is subsequently determined to have a finite useful life, the asset is tested for impairment.

Insurance brokerage licence is fully allocated to Liming which is considered a separate cash generating unit ("CGU"). The Group performed impairment testing at the end of each reporting period. For details, please refer to Note 14.

13 Right-of-use assets

	2020 **RMB'000**	2019 RMB'000
Cost:		
At January 1,	**223,371**	72,454
Inception of leases	**20,011**	186,361
Expiration of leases	**(25,300)**	(35,444)
At December 31,	**218,082**	223,371
Accumulated depreciation:		
At January 1,	**(55,468)**	(39,514)
Charge for year	**(58,547)**	(51,398)
Expiration of leases	**25,300**	35,444
At December 31,	**(88,715)**	(55,468)
Net book value:		
At December 31,	**129,367**	167,903

14 Goodwill

	RMB'000
Balance as of January 1, 2019	34,054
Acquired during the year	—
Balance as of December 31, 2019 and 2020	**34,054**

Goodwill is attributed to the workforce of the acquired business and significant synergies expected to arise after the Group's acquisition of Liming in 2017. The goodwill is not expected to be deductible for tax purposes.

For the purpose of impairment testing, goodwill and insurance brokerage licence are fully allocated to Liming, which is considered a separate CGU, representing the lowest level within the Group for which the goodwill and insurance brokerage licence are monitored for internal management purpose.

14 Goodwill (continued)

Impairment review on the goodwill and insurance brokerage licence of the Group has been conducted by the management as of December 31, 2020 and 2019. For the purposes of the impairment review, the recoverable amount of goodwill and insurance brokerage licence is determined based on the value-in-use calculations using the discounted cash flow method. Management forecasted an average annual revenue growth rate of 20% for the next five-year period, and the cash flows beyond the five-year period were extrapolated using an estimated annual growth rates of 3%. Pre-tax discount rate of 19.5% was used to reflect market assessment of time value and the specific risks relating to the CGU.

Based on the result of the goodwill and insurance brokerage licence impairment testing, the combined estimated recoverable amount was approximately RMB103,117,000 and RMB108,702,000 as of December 31, 2019 and 2020, exceeding carrying amount by RMB40,162,000 and RMB42,534,000, respectively. As the recoverable amount was significantly above the carrying amount, no impairment was identified in respect of the goodwill and insurance brokerage licence as of December 31, 2019 and 2020, respectively.

The Group has performed a sensitivity analysis on key assumptions used in management's annual impairment test of goodwill. Had the discount rate during the forecast period been 1% percentage higher, the remaining headroom would have decreased to RMB33,609,000 and RMB35,708,000 as of December 31, 2019 and 2020, respectively. Had the estimated profit during the forecast period been decreased by 5%, the remaining headroom would have decreased to RMB35,171,000 and RMB35,584,000 as of December 31, 2019 and 2020, respectively. Reasonably possible changes in key assumptions would not lead to impairment as of December 31, 2019 and 2020, respectively.

15 Financial assets at fair value through profit or loss

	Note	**2020** **RMB'000**	2019 RMB'000
Non-current			
— Unlisted equity securities	(i)	**3,542**	3,542
Current			
— Wealth management products	(ii)	**63,005**	545,695
— Trust plans	(ii)	**743,096**	—

Notes:

(i) The unlisted equity securities as at December 31, 2019 and 2020 are shares in private companies incorporated in the PRC principally engaged in non-performing loan management service. One of the investee had ceased operation in 2019, and the fair value was nil as of December 31, 2019; the Company disposed of the investment in 2020. No dividends were received on these investments during the years.

(ii) Wealth management products were issued by commercial banks in the PRC, and the trust plans were operated by licensed trust management companies in the PRC.

16 Investment in subsidiaries

	Note	**2020 RMB'000**	2019 RMB'000
Investment in subsidiaries	(i)	**—**	—
Deemed investment arising from share-based compensation	(ii)	**146,710**	109,992
Investment in subsidiaries		**146,710**	109,992

Notes:

(i) The share capital of the subsidiaries directly held by the Company were not paid up during the years.

(ii) The amount represents share-based compensation expenses arising from the grant of share options of the Company to employees of the subsidiaries (Note 28) in exchange for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries.

17 Trade receivables

	2020 RMB'000	2019 RMB'000
Trade receivables	**182,746**	203,348
Less: loss allowance	**(2,833)**	(7,354)
Trade receivables, net	**179,913**	195,994

17 Trade receivables (Continued)

Ageing analysis

As of the end of each of the year, the ageing analysis of trade receivables, based on the transaction date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Within 3 months (inclusive)	**167,478**	121,854
3 months to 6 months (inclusive)	**10,831**	52,397
6 months to 1 year (inclusive)	**2,931**	24,101
Over 1 year	**1,506**	4,996
Less: loss allowance	**(2,833)**	(7,354)
Trade receivables, net	**179,913**	195,994

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 30(a).

18 Loans receivable

	Note	**2020 RMB'000**	2019 RMB'000
Loans facilitated through Guangzhou Shurong			
— Consumer loans		**2,318**	24
— Corporate loans		**4,307**	3,512
Loans receivable		**6,625**	3,536
Less: allowance for loan losses	(i)	**(274)**	(106)
Loans receivable, net		**6,351**	3,430

Note:

(i) The Group recognises ECLs of the underlying loan using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

18 Loans receivable (Continued)

The following table presents the ageing of past-due loan principles as of December 31, 2020 and 2019, respectively:

	Total current RMB'000	1–90 days past due RMB'000	Over 90 days past due RMB'000	Total loans RMB'000
As of December 31, 2019	3,536	—	—	3,536
As of December 31, 2020	**6,374**	**251**	**—**	**6,625**

The following table presents the movements in the allowance for loan losses are as follows:

	2020 RMB'000	2019 RMB'000
Balance at the beginning of the year	**106**	61
Additions	**191**	359
Write-offs	**(23)**	(314)
Balance at the end of the year	**274**	106

The following table presents an analysis of the relevant maturity based on the remaining periods to repayment at December 31, 2020 and 2019, respectively:

	2020 RMB'000	2019 RMB'000
Repayable on demand	**—**	—
Within 3 months (inclusive)	**4,330**	3,430
Between 3 months and 1 year (inclusive)	**2,021**	—
Loans receivable, net	**6,351**	3,430

19 Prepaid expenses and other current assets

	2020 **RMB'000**	2019 RMB'000
Deposits	**17,223**	21,077
Prepaid expenses	**5,995**	17,137
Advances to suppliers	**9,102**	23,128
Others	**8,846**	16,292
Total	**41,166**	77,634

20 Cash and cash equivalents and restricted cash

(a) Cash and cash equivalents comprise:

	2020 **RMB'000**	2019 RMB'000
Cash at bank	**41,850**	150,852
Cash equivalents[i]	**34**	—
Cash on hand	**65**	65
Cash and cash equivalents	**41,949**	150,917

(i) Cash equivalents represents cash balances kept in third party payment platform, which can be withdrawn by the Group at any time.

(b) Restricted cash

	2020 **RMB'000**	2019 RMB'000
Non-current assets		
Restricted cash[i]	**5,722**	5,722
Total	**5,722**	5,722

20 Cash and cash equivalents and restricted cash (Continued)

(b) Restricted cash (Continued)

Restricted cash consists of funds that are contractually restricted as to usage or withdrawal due to regulatory requirement. The Group's restricted cash are all denominated in RMB and are all placed at financial institutions in the mainland of the PRC. The Group has presented restricted cash separately from cash and cash equivalents on the consolidated statement of financial position. The balances of the Group's restricted cash primarily comprise the following:

(i) In accordance with the rules issued by China Banking and Insurance Regulatory Commission (CBIRC), the Group's insurance brokerage subsidiary, Liming, sets aside cash funds as a liquidity reserve.

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank loans RMB'000	Interests payable RMB'000	Lease liabilities RMB'000	Redeemable convertible preferred shares RMB'000	Convertible loan RMB'000	Total RMB'000
As at January 1, 2019	30,000	—	30,657	1,913,679	99,696	2,074,032
Changes from financing cash flows:						
Converted from convertible loan	—	—	—	91,293	(91,293)	—
Repayment of short-term bank loans	(30,000)	—	—	—	—	(30,000)
Payment of lease liabilities	—	—	(61,922)	—	—	(61,922)
Interest paid	—	(710)	—	—	—	(710)
Change in fair value	—	—	—	76,173	(8,403)	67,770
Other changes:						
Increase in lease liabilities	—	—	186,361	—	—	186,361
Interest expenses	—	710	10,547	—	—	11,257
As at December 31, 2019	—	—	165,643	2,081,145	—	2,246,788

20 Cash and cash equivalents and restricted cash (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Lease liabilities RMB'000	Redeemable convertible preferred shares RMB'000	Total RMB'000
As at January 1, 2020	**165,643**	**2,081,145**	**2,246,788**
Change from financing cash flows:			
Payment of lease liabilities	**(65,170)**	**—**	**(65,170)**
Change in fair value	**—**	**131,486**	**131,486**
Other changes:			
Increase in lease liabilities	**20,011**	**—**	**20,011**
Interest expenses	**10,851**	**—**	**10,851**
As at December 31, 2020	**131,335**	**2,212,631**	**2,343,966**

21 Trade payables

	2020 RMB'000	2019 RMB'000
Amounts due to third parties	**53,136**	39,542

As of the end of each of the year, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Within 6 months	**48,797**	38,528
6 months to 1 year	**2,837**	1,014
1 to 2 years	**1,502**	—
	53,136	39,542

All of the trade payables are expected to be settled within one year or are repayable on demand.

22 Accrued expenses and other current liabilities

	2020 RMB'000	2019 RMB'000
Accrued payroll and welfare	**84,317**	70,961
Accrued expenses	**39,498**	38,448
Value Added Tax and surcharges payable	**13,650**	8,049
Deposit received	**4,050**	5,973
Others	**518**	644
Total	**142,033**	124,075

All of the accrued expenses and other current liabilities are expected to be settled and expensed within one year or are repayable on demand.

23 Contract liabilities

Movements in contract liabilities are as below:

	2020 RMB'000	2019 RMB'000
Balance at January 1,	**34,059**	53,859
Additions	**215,724**	127,641
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(34,059)**	(40,459)
Decrease in contract liabilities as a result of recognising revenue during the same year	**(175,856)**	(106,982)
Balance at December 31,	**39,868**	34,059

24 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting periods:

	2020 RMB'000	2019 RMB'000
Maturity analysis-contractual undiscounted cash flows		
Within 1 year or on demand	**53,855**	59,922
More than 1 year but less than 2 years	**43,223**	46,495
More than 2 years	**51,813**	84,482
Total undiscounted lease liabilities	**148,891**	190,899
Less: total future interest expenses	**(17,556)**	(25,256)
Present value of lease liabilities	**131,335**	165,643
Lease liabilities included in the consolidated statement of financial position		
Current	**44,896**	49,629
Non-current	**86,439**	116,014
Present value of lease liabilities	**131,335**	165,643

	2020 RMB'000	2019 RMB'000
Amounts recognised in profit or loss		
Interest on lease liabilities	**10,851**	10,547
Amounts recognised in the consolidated cash flow statements		
Total cash flow for leases	**65,170**	61,922

25 Convertible loan

On August 29, 2018, Beijing Bairong entered into a convertible loan agreement with an investor to obtain a loan of RMB100,000,000. The principal of the loan is automatically converted to a fixed number of the Company's preferred shares ("Series C+ Preferred Shares") at a fixed price of RMB54.42 per share upon the consummation of the Reorganisation.

On June 27, 2019, the Company issued 1,837,624 Series C+ redeemable convertible preferred shares to the convertible loan investor of Beijing Bairong upon the conversion of the entire principal of the convertible loan.

The convertible loan is carried at fair value with change in fair value recognised in the profit or loss. The Group recognised profits of RMB8,403,000 in the consolidated statement of profit or loss and other comprehensive income for the years ended December 31, 2019.

26 Redeemable convertible preferred shares

On November 26, 2014, Beijing Bairong entered into a shares purchase agreement with certain investors and pursuant to the agreement, on December 8, 2014, Beijing Bairong issued 511,499 Redeemable convertible Series A Preferred Shares ("Former Series A Preferred Shares") for an aggregated consideration of RMB50,000,000. On January 25, 2015, as approved by the shareholders, Beijing Bairong converted all of its additional paid in capital to ordinary shares and Series A Preferred Shares, on a pro-rata basis, based upon the numbers of ordinary shares held by each holder of ordinary shares and preferred shares (calculated on an as-converted basis). After the conversion, the number of shares held by Series A Preferred Shareholders was 10,024,590.

On April 4, 2015, Beijing Bairong entered into a shares purchase agreement with certain investors and pursuant to the agreement, on April 23, 2015, Beijing Bairong issued 1,108,443 Redeemable convertible Series A+ Preferred Shares ("Former Series A+ Preferred Shares") for an aggregated consideration of RMB10,000,000.

On September 11, 2015, Beijing Bairong entered into a shares purchase agreement with certain investors and pursuant to the agreement, on December 4, 2015, Beijing Bairong issued 8,024,826 Redeemable convertible Series B Preferred Shares for an aggregated consideration of RMB150,000,000, of which RMB115,289,000 and RMB34,711,000 was received in the year ended December 31, 2015 and 2016, respectively. In addition, Beijing Hongshan Xinyuan Equity Investment Center purchased 2,674,942 existing ordinary shares from the ordinary shareholders, with an aggregate consideration of RMB50,000,000, which were converted to preferred shares ("Sequoia Preferred Shares") on December 4, 2015. The terms of the Sequoia Preferred Shares are identical to that of the Redeemable convertible Series B Preferred Shares except for its liquidation preference as described in the paragraph headed "Liquidation Preference" of this note.

The 8,024,826 Redeemable convertible Series B Preferred Shares and 2,674,942 Sequoia Preferred Shares are collectively referred to as "Former Series B Preferred Shares".

26 Redeemable convertible preferred shares (Continued)

On June 3, 2016, Beijing Bairong entered into a shares purchase agreement with certain investors and pursuant to the agreement, on June 12, 2016, Beijing Bairong issued 7,350,498 Redeemable convertible Series B+ Preferred Shares for an aggregated consideration of RMB300,000,000. In addition, three other investors purchased 4,042,774 existing ordinary shares from the ordinary shareholders, with an aggregate consideration of RMB110,000,000, which were converted to preferred shares on June 3, 2016. After the conversion, the terms of such preferred shares are identical to that of the Redeemable convertible Series B+ Preferred Shares, except that such shares are not entitled to liquidation preference.

The 7,350,498 Redeemable convertible Series B+ Preferred Shares and 4,042,774 Redeemable convertible Series B+ Preferred Shares are collectively referred to as "Former Series B+ Preferred Shares".

Pursuant to a share purchase agreement with an investor, Beijing Bairong issued 9,309,405 Redeemable convertible Series C Preferred Shares ("Former Series C Preferred Shares") in February 2018 for an aggregated consideration of RMB506,600,000, of which RMB485,100,000 was received in the year ended December 31, 2018.

Upon the Reorganisation described in Note 1, the Company issued Series A, A+, B, B+, and C redeemable convertible preferred shares to the same third party investors, effectively exchanging all of their Series A, A+, B, B+, and C redeemable convertible preferred shares of Beijing Bairong into the redeemable convertible preferred shares of the Company. The terms of the preferred shares of the Company substantially mirrored those of the preferred shares of Beijing Bairong. The Series A, A+, B, B+, and C redeemable convertible preferred shares issued in connection with the Reorganisation include 21,927,741 shares issued at par for notional consideration of RMB16,000, and 20,607,737 shares issued for a total notional consideration of RMB889,936,000.

The preferred shareholders issued promissory notes to the Company on June 27, 2019 with notional principal amounts equal to the above total notional consideration of RMB889,952,000. The promissory notes issued by the preferred shareholders served as loan commitments granted by the Company, as Beijing Bairong commits to first pay to the shareholders the cash consideration equal to their investment costs of the preferred shares of Beijing Bairong, which are capped at the notional principal of the promissory notes. Upon drawing down such amounts from Beijing Bairong, the shareholders would be obliged to return such amounts to the Company within 10 business days in the form of repayments for the promissory notes. Though the loans granted under the loan commitment would be interest-free, given that the tenor is within 10 business days, the Company considers the fair value of the loan commitment to be immaterial.

In addition, as described in Note 25, the Company issued 1,837,624 Series C+ redeemable convertible preferred shares to the convertible loan investor of Beijing Bairong on June 27, 2019 upon the conversion of the entire principal of the convertible loan.

In September 23, 2020, the Company approved the surrender of 395,089 Series C redeemable convertible preferred shares by one of the shareholders.

26 Redeemable convertible preferred shares (continued)

The key terms of the preferred shares are as follows:

Shareholders' Redemption Rights upon occurrence of specified events

The preferred shares are redeemable by the holders if the Company fails to complete a Qualified IPO prior to a specified no-IPO redemption date or upon occurrence of other specified contingent events. "Qualified IPO" means an initial public offering of the shares of the Company on a stock exchange acceptable to the holders of the preferred shares, provided that the Company's pre-IPO market capitalisation shall be no less than RMB8.5 billion and determined in a manner acceptable to the holders representing at least the majority of the issued and outstanding preferred shares. The initial no-IPO redemption date was September 11, 2020 upon the issue of the preferred shares, and such date was subsequently revised to September 11, 2021 as approved by the holders of the preferred shares on July 6, 2020. In November 13, 2020, the shareholders agreed to further extend such date to July 1, 2022 should the Company submit a Form A1 with the Stock Exchange on or prior to December 31, 2020. Upon a redemption triggered by the contingent events stated above, the redemption price shall equal to the following:

(i) for each Series A Preferred Share, Series A+ Preferred Share and Series B Preferred Share redeemed, the Redemption Price shall be 150% of the original issue Price, plus any declared but unpaid dividends; or

(ii) for each Series B+ Preferred Share, Series C Preferred Share, Series C+ Preferred Share redeemed, the Redemption Price shall equal to the sum of the original Preferred Shares issue price, plus an amount accruing daily at 10% of the original preferred shares issue price per annum and all declared but unpaid dividends.

Liquidation Preference

In the event of any liquidation including deemed liquidation, dissolution or winding up of the Company, holders of the preferred shares shall be entitled to receive a per share amount equal to the higher of (i) and (ii) below.

(i) the original preferred shares issue price for the respective series; and

(ii) the fair market value of the relevant series of preferred shares on the date of liquidation.

Upon completion of the IPO, all preferred rights of the holders of preferred shares will be terminated and the preferred shares will be automatically converted to ordinary shares.

Based on the feature above, the Group designated the above preferred shares as financial liabilities at fair value through profit or loss.

The Group measures each series of the preferred shares at the higher of the present value of the share redemption amount and the fair value as determined using the valuation models as described below.

(Expressed in RMB unless otherwise indicated)

26 Redeemable convertible preferred shares (continued)

Valuation

The Group applied the discount cash flow method ("DCF method") to determine the underlying equity value of the Company and used the option-pricing method and equity allocation model to determine the fair value of the Preferred Shares as of December 31, 2020 and 2019.

The DCF method involves applying appropriate weighted average cost of capital ("WACC"), to discount the future cash flow forecast to present value. The WACC was determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systematic risk factors. The Group also applied a discount for lack of marketability ("DLOM"), which was quantified by the Chaffee's European put options-pricing model. Under this option-pricing method, which assumed that the put option is struck at the spot price of the stock before the privately held shares can be sold, the cost of the put option was considered as a basis to determine the DLOM.

Key assumptions are set as below:

	2020	2019
WACC	**15.18%**	15.96%
DLOM	**10.00%**	10.00%

27 Income tax in the consolidated statement of financial position

Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Deductible accumulative losses RMB'000	Impairment losses RMB'000	Others deductible temporary difference RMB'000	Changes in the fair value RMB'000	Identified intangible assets from acquisition RMB'000	Total RMB'000
At January 1, 2019	5,348	1,489	1,045	(537)	(5,820)	1,525
Credited/(charged) to profit or loss (Note 7(a))	2,528	712	254	173	—	3,667
At December 31, 2019 and January 1, 2020	7,876	2,201	1,299	(364)	(5,820)	5,192
Credited/(charged) to profit or loss (Note 7(a))	(283)	48	1,583	188	—	1,536
At December 31, 2020	**7,593**	**2,249**	**2,882**	**(176)**	**(5,820)**	**6,728**

(ii) Reconciliation to the consolidated statement of financial position

	2020 RMB'000	2019 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**12,575**	11,217
Net deferred tax liability recognised in the consolidated statement of financial position	**(5,847)**	(6,025)
At the end of year	**6,728**	5,192

(iii) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB213,367,000 and RMB175,794,000 as at December 31, 2019 and 2020, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction before they expire.

28 Share-based compensation

On November 20, 2015, the Board of Directors of Beijing Bairong approved the 2015 Share Plan (the "2015 Plan") for the purpose of providing incentives and rewards to employees and executives who contribute to the success of the Beijing Bairong's operations.

As an entity consolidated by the Beijing Bairong, Bairong Tongchuang is a limited partnership established under the laws of PRC, which owns 12,963,556 shares in the Beijing Bairong as of December 31, 2018 and 2019. Beijing Bairong divided the partnership interest into 12,963,556 virtual shares to match the underlying shares held by Bairong Tongchuang solely for share option plan purpose. Under the 2015 Plan, Beijing Bairong was entitled to grant the total 12,963,556 share options in virtual shares of Bairong Tongchuang to employees, officers, directors and individuals of Beijing Bairong.

Share options granted to an employee under the 2015 Plan will be exercisable upon the employee renders service to Beijing Bairong in accordance with a stipulated service schedule starting from the employee's date of employment. Employees are generally subject to a four-year service schedule commencing from the employees date of employment, under which an employee is entitled to vest in 50% of his option grants for the first two years of completed service and entitled to vest in 25% of his option grants annually thereafter of completed service.

In connection with the Reorganisation and to mirror the number and vesting terms of the options originally granted by Beijing Bairong, the Company adopted a new share incentive plan, which was approved by the board of directors of the Company to replace the previous 2015 Plan. The terms of the new share incentive plan are the same as those under the 2015 Plan.

The exchanges of share options or changes to their terms in conjunction with an equity restructuring such as the Reorganisation are modifications of the share options and the accounting for a modification in conjunction with an equity restructuring requires a comparison of the fair value of the modified awards with the fair value of the original award immediately before the modification. The Group determined that there was no significant incremental fair value before and after the modification, and so no additional cost was recognised in the consolidated financial statements following the Reorganisation.

In August 2019, the shareholders of the Company approved a resolution to extend the expiration dates of all share options granted under the 2015 Plan to ten years after the respective original grant dates of these options. The change in terms of the share incentive plan was accounted for as a modification of the awards, and the Company calculated the incremental compensation cost of the modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified. The incremental compensation cost resulting from the modification was RMB2,944,000. For vested options, the Company recognised the incremental compensation cost when the modification occurred. For unvested options, the Company recognised the sum of the incremental compensation cost and the remaining unrecognised compensation cost for the original awards over the remaining requisite service period after modification.

28 Share-based compensation (Continued)

Beijing Bairong granted 2,927,828 and 395,000 share options to employees, all with an exercise price of RMB1, for the years ended December 31, 2019 and 2020, respectively. The following table sets forth the share option shares activities under the 2015 Plan for the years ended December 31, 2019 and 2020:

	Options outstanding	**Weighted average exercise price RMB**
Outstanding at January 1, 2019	7,880,635	1
Granted	2,927,828	1
Exercised	—	
Forfeited	(1,241,534)	1
Outstanding at December 31, 2019	9,566,929	1
Granted	395,000	1
Exercised	—	
Forfeited	(681,682)	1
Outstanding at December 31, 2020	**9,280,247**	**1**

Options granted to employees were measured at fair value on the dates of grant based on the Binomial Option Pricing Model with the following assumptions:

	2020	2019
Expected volatility	**33%–36%**	30%–34%
Risk-free interest rate	**2.85%–3.28%**	2.50%–3.28%
Exercise multiple	**2**	2.0–2.8
Expected dividend yield	**—**	—
Expected term (in years)	**10**	4–10
Fair value of the underlying shares on the date of option grants (per share)	**RMB27.00–27.13**	RMB27.00–30.18

29 Capital and reserves

(a) Share capital

The Company was incorporated in the Cayman Islands in June 2018 with an authorised share capital of USD50,000 divided into 500,000,000 shares with a par value of USD0.0001 each.

As part of the Reorganisation described in Note 1, the Company completed the following steps:

1) Upon incorporation, the Company issued 18,776,522 ordinary shares to the co-founders with a consideration of RMB13,000.

2) Pursuant to share subscription agreements with the investors on June 27, 2019, the Company issued 22,237,437 ordinary shares to the third party investors of Beijing Bairong for a consideration of RMB177,829,000 (17,171,974 shares were issued at par for a total consideration of RMB3,000, and 5,065,463 shares were issued for a total consideration of RMB177,826,000. The RMB177,826,000 represents the cash consideration the shareholders paid for acquiring the ordinary shares of Beijing Bairong). In addition, the Company approved surrender of 735,050 ordinary shares by one of the co-founders.

Upon the completion of steps 1 and 2 above, the number of ordinary shares of the Company held by each of the shareholders is identical to the number of ordinary shares of Beijing Bairong held by such shareholder, and the Company effectively exchanged all of the ordinary shares held by each of the shareholders of Beijing Bairong into the ordinary shares of the Company.

The shareholders issued promissory notes to the Company with a total notional principal amounts of RMB177,842,000. Under the promissory notes arrangement, the ordinary shareholders could draw an amount equal to their investment cost paid for the ordinary shares of Beijing Bairong from Beijing Bairong, which is capped at the principal amount of the promissory note. After drawing down the amount from Beijing Bairong, such ordinary shareholders are obliged to return such amount to Bairong Inc. to repay the promissory notes within 10 business days. The overall effect of those transactions will be to transfer a certain amount of cash from Beijing Bairong to the Company, with no net impact on cash. The promissory notes are regarded as being conditional with contractual rights to receive money from those shareholders only to the extent those shareholders have received equal amounts from Beijing Bairong first. In substance, the Company has granted a loan commitment to those shareholders. The Company considers the fair value of the short-term loan commitment to be immaterial.

On August 26, 2019, the Company repurchased 9,963,556 shares with a par value of US$0.0001 each from GeniAI Tech Ltd. for nil consideration and then promptly cancelled such shares.

Upon the Share Subdivision, the number of authorized and outstanding shares have been changed as detailed in Note 33.

29 Capital and reserves (Continued)

(b) Reserves

(i) Capital reserve as at December 31, 2020 and 2019 primarily consist of share-based compensation (see Note 28).

(ii) PRC statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC.

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after taxation, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(c) Dividends

During the years of 2020 and 2019, no dividends were declared by the entities comprising the Group to its owners.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Except for Liming and Guangzhou Shurong, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

In accordance with the rules issued by China Banking and Insurance Regulatory Commission (CBIRC), the Group's insurance brokerage subsidiary, Liming, sets aside cash funds as a liquidity reserve.

Guangzhou Shurong, the Group's micro-loan subsidiary, regularly monitors the balance of the loans in relation to its paid-in capital, so as to comply with regulatory requirements.

29 Capital and reserves (Continued)

(e) Movements in components of equity

The changes of each component of the Group's consolidated equity during the years is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity since its date of incorporation to December 31, 2020 are set out below:

	Share capital RMB	Capital reserve RMB	Accumulated deficit RMB	Total RMB
Balance at December 31, 2018	13	—	—	13
Changes in equity for 2019:				
Issuance of ordinary shares	6	—	—	6
Effect of Reorganisation	—	87,782	(2,092,770)	(2,004,988)
Profit for the year	—	—	4,755	4,755
Share-based compensation	—	22,210	—	22,210
Balance at December 31, 2019	19	109,992	(2,088,015)	(1,978,004)
Changes in equity for 2020:				
Loss for the year	**—**	**—**	**(147,953)**	**(147,953)**
Repayment of the promissory notes issued to the Company by the shareholders	**—**	**28,398**	**59,207**	**87,605**
Share-based compensation	**—**	**36,718**	**—**	**36,718**
Balance at December 31, 2020	**19**	**175,108**	**(2,176,761)**	**(2,001,634)**

30 Financial risk management and fair values of financial instruments

Exposure to credit risk, liquidity risk, interest rate risk, foreign exchange risk and fair value measurement arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a minimum credit rating, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

30 Financial risk management and fair values of financial instruments (Continued)

(a) Credit risk (Continued)

Trade receivables

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivable are non-interest bearing and are generally on terms between 1 to 90 days. In some cases, these terms are extended for certain qualified long-term customers who have met specific credit requirements. The Group does not have any off-balance-sheet credit exposure related to its customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2019 and 2020, 34.42% and 17.26% of the total trade receivables was due from the Group's five largest customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2020 and 2019:

December 31, 2020

	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current	0.04%	167,478	67
Overdue within 3 months	1.9%	10,831	206
Overdue after 3 months but within 6 months	45.0%	2,931	1,319
Overdue more than 6 months	82.4%	1,506	1,241
		182,746	2,833

30 Financial risk management and fair values of financial instruments (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

December 31, 2019

	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current	0.05%	155,193	78
Overdue within 3 months	2.0%	36,691	734
Overdue after 3 months but within 6 months	46.4%	8,118	3,765
Overdue more than 6 months	83.0%	3,346	2,777
		203,348	7,354

Expected loss rates are based on actual loss experience over the past recent years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2020 RMB'000	2019 RMB'000
Balance at January 1,	**(7,354)**	(3,663)
Loss allowance recognised during the year	**(326)**	(4,061)
Written off	**4,847**	370
Balance at December 31,	**(2,833)**	(7,354)

30 Financial risk management and fair values of financial instruments (Continued)

(a) Credit risk (Continued)

Loans receivable

The Group classifies loans receivable into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that loans receivable has increased significantly since initial recognition.

The three stages are defined as follows:

Stage 1: A financial asset of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month expected credit losses is recognised as loss allowance.

Stage 2: A financial asset with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime expected credit losses is recognised as loss allowance.

Stage 3: A financial asset is considered to be credit-impaired as at statement of financial position date. The amount equal to lifetime expected credit losses is recognised as loss allowance. Refer to Note 2(k)(i) for the definition of credit-impaired financial assets.

The assessment of significant increase since initial recognition in the credit risk is performed at least on a quarterly basis for financial assets held by the Group. The Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significantly change in credit risk for the purposes of classifying financial assets. In determining whether credit risk of a financial asset has increased significantly since initial recognition, the Group considers factors indicating whether the probability of default has risen sharply, whether the financial asset has been past due.

Impairment assessment

Generally, a financial asset is considered to be credit-impaired if:

- It has been overdue for more than 30 days;
- In light of economic, legal or other factors, the Group has made concessions to a customer in financial difficulties, which would otherwise have been impossible under normal circumstances;
- The customer is probable to be insolvent or carry out other financial restructurings;
- Due to serious financial difficulties, the financial asset cannot continue to be traded in an active market;
- There are other objective evidences that the financial asset is impaired.

30 Financial risk management and fair values of financial instruments (Continued)

(a) Credit risk (Continued)

Impairment assessment (Continued)

Movement in the loss allowance account in respect of loans receivable during the year is as follows:

December 31, 2020

	12-months ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at January 1, 2020	**106**	**—**	**—**	**106**
Transferred:				
— to 12-months ECL	**—**	**—**	**—**	**—**
— to lifetime ECL not credit-impaired				
— to lifetime ECL credit-impaired	**(1)**	**—**	**1**	**—**
Charge for the year	**169**	**—**	**22**	**191**
Write-offs	**—**	**—**	**(23)**	**(23)**
Recoveries	**—**	**—**	**—**	**—**
As at December 31, 2020	**274**	**—**	**—**	**274**

December 31, 2019

	12-months ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at January 1, 2019	61	—	—	61
Transferred:				
— to 12-months ECL	—	—	—	—
— to lifetime ECL not credit-impaired	—	—	—	—
— to lifetime ECL credit-impaired	(9)	—	9	—
Charge for the year	54	—	305	359
Write-offs	—	—	(314)	(314)
Recoveries	—	—	—	—
As at December 31, 2019	106	—	—	106

30 Financial risk management and fair values of financial instruments (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

As at December 31, 2020

	Contractual undiscounted cash outflow					Carrying amounts in the consolidated statement of financial position
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	RMB'000
Trade payables	51,634	1,502	–	–	53,136	53,136
Lease liabilities	53,855	43,223	51,813	–	148,891	131,335
Accrued expenses and other current liabilities	142,033	–	–	–	142,033	142,033
	247,522	44,725	51,813	–	344,060	326,504

30 Financial risk management and fair values of financial instruments (Continued)

(b) Liquidity risk (Continued)

As at December 31, 2019

	Contractual undiscounted cash outflow					Carrying amounts in the consolidated statement of financial position
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	RMB'000
Trade payables	39,542	—	—	—	39,542	39,542
Lease liabilities	59,922	46,495	84,482	—	190,899	165,643
Accrued expenses and other current liabilities	124,075	—	—	—	124,075	124,075
	223,539	46,495	84,482	—	354,516	329,260

In addition to the above maturity profile of the Group's financial liabilities, the Company has an obligation to redeem all redeemable convertible preferred shares at the redemption price of each series, if a qualified IPO is not consummated before the revised redemption date, i.e., 11 September 2021. In November 13, 2020, the shareholders agreed to further extend such date to July 1, 2022. The maximum undiscounted contractual redemption payment associated with redeemable convertible preferred shares as at December 31, 2020 was approximately RMB1,873 million.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from borrowings. The interest risk arising from financial assets at fair value through profit or loss and loans receivable is not significant due to the short-term maturity of these financial instruments. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group's interest-bearing liabilities at December 31, 2020 and 2019 are all fixed rate borrowings. Thus, the Group is not exposed to significant cash flow interest rate risk during the year.

30 Financial risk management and fair values of financial instruments (Continued)

(d) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities functional currency. The functional currency of the Company and the subsidiaries operated in the PRC are RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

The Group operates mainly in the PRC with most of the transactions settled in RMB. Management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group denominated in the currencies other than the respective functional currencies of the Group's entities.

(e) Fair value measurement

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

30 Financial risk management and fair values of financial instruments (Continued)

(e) Fair value measurement (Continued)

Fair value hierarchy (Continued)

- Level 3 valuations: Fair value measured using significant unobservable inputs.

	As at December 31,	
	2020 **RMB'000**	2019 RMB'000
Level 3		
Assets		
— Trust plans (i)	**743,096**	—
— Wealth management products (i)	**63,005**	545,695
— Unlisted equity securities (ii)	**3,542**	3,542
	809,643	549,237
Liabilities		
— Redeemable convertible preferred shares (iii)	**2,212,631**	2,081,145
	2,212,631	2,081,145

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 3 fair value measurement:

(i) Trust plans and wealth management products

The carrying amount of trust plans and wealth management products are measured at fair values in the consolidated statement of financial position as of December 31, 2019 and 2020. The Group determines the fair value of trust plans and wealth management products by using discounted cash flow models. The un-observable inputs are expected annual return rate fixed in the investment contracts. These expected annual return rates ranged from 2.5% to 4.5% and 2.3% to 5.8% as of December 31, 2019 and 2020.

As of December 31, 2019 and 2020, it is estimated that with all other variables held constant, an increase/decrease of expected annual return rate by 1% would have decreased/increased the Group's loss before taxation by RMB5.44 million and RMB8.06 million, respectively.

30 Financial risk management and fair values of financial instruments (Continued)

(e) Fair value measurement (Continued)

Fair value hierarchy (Continued)

(i) Trust plans and wealth management products (Continued)

The movements of trust plans and wealth management products during the year in the balance of these Level 3 fair value measurements are as follows:

	2020 RMB'000	2019 RMB'000
At the beginning of the year	**545,695**	547,354
Addition	**6,671,070**	7,568,317
Disposal	**(6,437,668)**	(7,579,971)
Change in fair value	**27,004**	9,995
At the end of the year	**806,101**	545,695

(ii) Equity securities

The carrying amount of equity securities are measured at fair values in the consolidated statement of financial position as of December 31, 2020 and 2019. The Group's equity securities are investments in unlisted companies. The Group determines the fair value by reference to the recent transaction pricing for the entities or similar transactions in similar entities in same industry.

As of December 31, 2019 and 2020, it is estimated that with all other variables held constant, an increase/decrease in the fair values of equity securities by 1% would have decreased/increased the Group's loss before tax by RMB0.04 million and RMB0.04 million respectively.

The movements of unlisted equity securities during the year in the balance of these Level 3 fair value measurements are as follows:

	2020 RMB'000	2019 RMB'000
At the beginning of the year	**3,542**	10,442
Addition	**—**	—
Change in fair value	**—**	(6,900)
At the end of the year	**3,542**	3,542
Net unrealised gains for the year	**—**	(6,900)

30 Financial risk management and fair values of financial instruments (Continued)

(e) Fair value measurement (Continued)

Fair value hierarchy (Continued)

(iii) Redeemable preferred shares and convertible loan

The Group adopted an equity allocation model to estimate the fair value of the redeemable preferred shares as of December 31, 2020 and 2019 (see Note 26).

If the discount rate applied to the cash flow projections had been 1% lower or higher than management's estimation as at December 31, 2020 and 2019 respectively, the value of redeemable preferred shares would exceed its fair value by the amounts listed in table below:

	2020 **RMB'000**	2019 RMB'000
Discount rate decrease 1%	**55,719**	93,191
Discount rate increase 1%	**(64,507)**	(52,926)

The movements of redeemable preferred shares during the year in the balance of these Level 3 fair value measurements are as follows:

	2020 **RMB'000**	2019 RMB'000
At the beginning of the year	**2,081,145**	1,913,679
Converted from convertible loan	**—**	91,293
Change in fair value	**131,486**	76,173
At the end of the year	**2,212,631**	2,081,145

31 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group during the year is as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	**1,872**	1,821
Discretionary bonuses	**328**	101
Retirement scheme contributions	**16**	89
Share-based payments	**1,258**	1,091
Key management personnel remuneration	**3,474**	3,102

(b) Receiving guarantee from the related party

In 2019, the Group had loans outstanding from a commercial bank in the PRC, and the loans were guaranteed by the CEO of the Company.

32 Company-level statement of financial position

	Note	2020 RMB'000	2019 RMB'000
Non-current asset			
Investment in subsidiaries	16	**146,710**	109,992
Current assets			
Cash and cash equivalents		**3,414**	288
Prepaid expenses and other current assets		**73,228**	19
		76,642	307
Current liabilities			
Accrued expenses and other current liabilities		**12,355**	7,158
Redeemable convertible preferred shares	26	**—**	2,081,145
		12,355	2,088,303
Net current assets/(liabilities)		**64,287**	(2,087,996)
Total assets less current liabilities		**210,997**	(1,978,004)
Non-current liabilities			
Redeemable convertible preferred shares	26	**2,212,631**	—
NET LIABILITIES		**(2,001,634)**	(1,978,004)
Equity			
Share capital		**19**	19
Reserves		**(2,001,653)**	(1,978,023)
TOTAL DEFICIT		**(2,001,634)**	(1,978,004)

Approved and authorized for issue by the board of directors on April 15, 2021.

Zhang Shaofeng
Director

Zhao Hongqiang
Director

33 Non-adjusting events after the reporting period

(i) On March 16, 2021, pursuant to the shareholders' resolution, each share in the then authorised share capital of the Company with a par value of US$0.0001 each (whether issued or unissued) will be subdivided into five Shares of the corresponding class with a par value of US$0.00002 each upon completion of the Global Offering (as defined in Note 33(ii) below). As a consequence of this, immediately prior to completion of the Global Offering, the authorised share capital of the Company will be US$50,000 divided into 2,500,000,000 ordinary shares with a par value of US$0.00002.

(ii) On March 31, 2021, the shares of the Company were listed on the Main Board of the Stock Exchange, where 123,822,500 shares of US$0.00002 each were issued and subscribed at a price of HK$31.80 ("the Global Offering") each. The proceeds, net of share issuance expenses, will be credited to the Company's share capital and capital reserve account accordingly.

34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period beginning January 1, 2020

Up to the date of issue of the these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period beginning on January 1, 2020 and which have not been adopted in the these financial statements. These include the following which may be relevant to the Group:

The revised and new accounting standards and interpretations but not yet effective for the period from January 1, 2020 are set out below:

	Effective for accounting periods beginning on or after
Amendment to IFRS 16, *Covid-19-Related Rent Concessions*	June 1, 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform — Phase 2*	January 1, 2021
Amendments to IFRS 3, *Reference to the Conceptual Framework*	January 1, 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	January 1, 2022
Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	January 1, 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	January 1, 2023
IFRS 17 *Insurance contracts*	January 1, 2023

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

FINANCIAL SUMMARY

Condensed consolidated statement of profit or loss

	For the year ended December 31, (RMB in thousands)			
	2017	2018	2019	**2020**
Revenue	354,005	858,491	1,261,942	**1,136,532**
Gross profit	243,664	625,657	971,792	**838,137**
Loss from operations	(90,897)	(39,856)	(11,267)	**32,607**
Loss before taxation	(348,117)	(184,877)	(97,807)	**(110,597)**
Loss for the year	(353,477)	(181,933)	(94,140)	**(109,061)**
Loss for the year attributable to equity shareholders of the Company	(344,710)	(179,105)	(93,165)	**(110,555)**
Non-IFRS profit (loss)	(83,190)	(1,617)	13,071	**80,044**
Non-IFRS EBITDA	(56,591)	36,859	87,380	**167,293**

Condensed consolidated statement of financial position

	For the year ended December 31, (RMB in thousands)			
	2017	2018	2019	**2020**
Non-current assets	116,505	133,467	292,090	**252,298**
Current assets	339,886	970,316	973,670	**1,075,480**
Current liabilities	149,387	305,322	2,328,450	**279,933**
Non-current liabilities	1,296,775	1,928,794	122,039	**2,304,917**
Net liabilities	(989,771)	(1,130,333)	(1,184,729)	**(1,257,072)**
Equity attributable to equity shareholders of the Company	(998,430)	(1,147,257)	(1,200,981)	**(1,274,818)**
Non-controlling interests	8,659	16,924	16,252	**17,746**
Total deficit	(989,771)	(1,130,333)	(1,184,729)	**(1,257,072)**

"2019 ESOP"	the share incentive plan approved and adopted in August 2019, the principal terms of which are set out in "Statutory and general information-Share Schemes" in Appendix V in the Prospectus
"2021 ESOP"	the post-IPO share option scheme conditionally approved and adopted by our Company on March 16, 2021, the principal terms of which are set out in "Statutory and general information-Share Schemes" in Appendix V in the Prospectus
"AI"	artificial intelligence
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Beijing Bairong", "Onshore Holdco" or "variable interest entity"	Bairong Yunchuang Technology Co., Ltd. (百融雲創科技股份有限公司), a company established in China with limited liability on March 19, 2014 and a Consolidated Affiliated Entity of our Company
"Board"	the board of Directors
"China" or "PRC"	the People's Republic of China and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Class A Share(s)"	class A ordinary share(s) in the share capital of our Company with a par value of US$0.00002 each, following the Share Subdivision, conferring weighted voting rights in our Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company's general meetings, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
"Class B Share(s)"	class B ordinary share(s) in the share capital of our Company with a par value of US$0.00002 each, following the Share Subdivision, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company's general meetings
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	Bairong Inc., a company with limited liability incorporated in the Cayman Islands on June 21, 2018
"Consolidated Affiliated Entity(ies)"	Onshore Holdco and its subsidiaries and affiliated entities, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the Contractual Arrangements

"Contractual Arrangement(s)"	the series of contractual arrangements entered into between, among others, the WFOE, the Onshore Holdco and the then Registered Shareholders, as detailed in "Contractual Arrangements" in the Prospectus and as amended, restated, renewed, reproduced or joined from time to time
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Zhang and the direct and indirect companies through which Mr. Zhang has an interest in the Company, namely Genisage Tech Inc., Genisage Holdings Limited, GeniAI Tech Ltd. and RongXing Trust
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"Director(s)"	the director(s) of our Company
"FSP"	financial services provider
"FSP clients"	FSPs to which we provide our products and services, including paying FSPs whom we charge fees and non-paying FSPs who use our basic services free of charge as part of our promotional efforts
"Global Offering"	the public offering of the Company's Class B Shares as defined and described in the Prospectus
"Group", "we" or "us"	the Company, its subsidiaries, and the Consolidated Affiliated Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements) from time to time, and in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"HKFRS"	Hong Kong Financial Reporting Standards
"ICP licence"	the value-added telecommunications business operating licence for internet information service
"IFRS"	International Financial Reporting Standards, as issued by the International Accounting Standards Board
"Key FSP clients"	licenced financial institutions that each contributes more than RMB300,000 total revenue in a given year

"Key FSP client retention rate"	the percentage of the Key FSP clients we have in a given year that we continue to retain during the next twelve months
"Liming"	Liming Insurance Brokers Co., Ltd. (黎明保險經紀有限公司), a company established in China with limited liability on April 21, 2014 and a Consolidated Affiliated Entity of our Company
"Listing"	the listing of the Class B Shares on the Main Board
"Listing Date"	March 31, 2021, the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Mr. Zhang" or "WVR Beneficiary"	Mr. Zhang Shaofeng, our founder, executive Director, chairperson, chief executive officer and Controlling Shareholder, as well as the holder of the Class A Shares entitling him to weighted voting rights
"net dollar expansion rate"	a fraction, the denominator of which is the revenue contribution from Key FSP clients in one given year and the numerator of which is the contribution from the same group of Key FSP clients in the following year, expressed as a percentage
"paid subscription"	In the context of our business, paid subscription by an FSP client in the context of our business means (i) a subscription based on usage, without an initial or recurring fee or (ii) an annual subscription that offers a standardised package with a pre-determined number or unlimited number of requests such FSP client may use during the term of the related service agreement
"paying FSP clients"	FSP clients that had a paid subscription of our products and services and contributed to our revenue since our founding
"PRC Legal Adviser"	Commerce & Finance Law Offices
"Prospectus"	the prospectus of the Company dated March 19, 2021

"Registered Shareholders"	the registered shareholders of the Onshore Holdco from time to time
"Reporting Period"	the year ended December 31, 2020
"Reserved Matters"	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being: (i) any amendment to the Memorandum or Articles of Association, including the variation of the rights attached to any class of shares; (ii) the appointment, election or removal of any independent non-executive Director; (iii) the appointment or removal of the Company's auditors; and (iv) the voluntary liquidation or winding-up of the Company
"RMB"	Renminbi yuan, the lawful currency of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	the Class A Shares and Class B Shares in the share capital of our Company
"Share Schemes"	the 2019 ESOP and the 2021 ESOP
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"weighted voting right" or "WVR"	has the meaning ascribed to it under the Listing Rules
"WFOE"	Tianjin Bairong Technology Co., Ltd. (天津百融科技有限公司), a company established in China on August 14, 2018 and a wholly owned subsidiary of our Company
"%"	per cent

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