Duiba Group
兑吧集团

Annual Report
2020

兑吧集团有限公司
Duiba Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1753

CONTENTS

COMPANY PROFILE

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

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

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Huang Tao

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. Chen Xiaoliang
Ms. Ng Ka Man

JOINT COMPANY SECRETARIES

Mr. Wang Saibin
Ms. Ng Ka Man

LEGAL ADVISERS

As to Hong Kong law:

Jingtian & Gongcheng LLP
Suites 3203-3207, 32/F
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to Cayman Islands law:

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

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

COMPLIANCE ADVISOR

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

CORPORATE INFORMATION

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANK

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

COMPANY'S WEBSITE

http://www.duiba.cn/

STOCK CODE

1753

DATE OF LISTING

7 May 2019

In 2020, the sudden outbreak of COVID-19 had an unprecedented impact on the economic and social development of China. Fortunately, as the COVID-19 outbreak in China was well controlled in a short time, the economy of China continued to improve in the long term. Our overall revenue and profit, especially the performance of the advertising business, were inevitably affected by the outbreak, but in the second half of 2020, we turned a corner to positive growth month-to-month, continuing to achieve good results of operations and word of mouth from customers in terms of user management SaaS business in 2020.

With our outstanding performance in SaaS, we were awarded various industry awards and honors in 2020, such as "Outstanding Financial Technology Innovation Award" of the financial sector, "Digital Marketing Innovation Award" for retail banking, "Best Partner of 2020" by Zhejiang UnionPay, "Best User Management SaaS Platform of 2020" by CIWEEK and "2020 Innovation Award for Shopping Mini Programs" by Alibaba.

Since our establishment in 2014, we have always treated SaaS as our major business line. In 2018, we began to explore commercialization. In 2020, the development of our user management SaaS business accelerated, with the revenue increasing substantially by 139.7% to RMB80.7 million (2019: RMB33.7 million); meanwhile, the average charge per signed contract of our management SaaS services increased by 86.6% to approximately RMB125,000 (2019: RMB67,000). There was a rapid growth in the above business indicators in 2020. In the future, We will be deeply engaged in the financial vertical industry represented by banks in the long term, and continuously upgrade and innovate our SaaS products and services.

Despite the many challenges that we encountered in the interactive advertising business in the past year due to the impact of the outbreak on offline traffic channels and budgets of advertisers, we achieved good growth in overcoming difficulties and restored positive growth in the interactive advertising business in the second half of the year. We believe that helping various media customers achieve incremental earnings through the product service of interactive advertising represents the innovation with the most efficient traffic monetization and the most rapid scaling; meanwhile, our media customers of the interactive advertising business are no longer limited to online information and entertainment platforms. There is a considerable number of online and offline user scenarios in respect of which we have established and will establish cooperation, such as offline payment scenarios, consumer product scenarios and internet of things scenarios. This provides huge potential for diversified traffic in the future.

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

Chen Xiaoliang
Chairman
Hangzhou, PRC, 30 March 2021

FINANCIAL AND OPERATIONAL DATA HIGHLIGHTS

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,070,863**	1,651,636	1,137,032	645,792	51,138
Gross profit	**224,330**	567,498	428,913	242,026	40,036
Profit/(loss) before tax	**(70,460)**	(209,366)	(299,078)	98,363	(89,672)
Profit/(loss) for the year	**(63,566)**	(199,804)	(291,582)	98,108	(87,439)
Adjusted profit/(loss) for the year	**(25,128)**	339,981	205,217	118,704	(2,891)

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	**68,461**	31,880	22,680	7,432	5,569
Total current assets	**1,528,804**	1,564,377	869,270	356,041	66,059
Total current liabilities	**303,188**	234,573	172,309	210,804	37,641
Total non-current liabilities	**3,685**	1,117	1,151,639	144,680	126,097
Total equity/(net deficiency in assets)	**1,290,392**	1,360,567	(431,998)	7,989	(92,110)

FINANCIAL DATA HIGHLIGHT

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue		
User management SaaS platform business	**80,670**	33,655
Interactive advertising business	**990,061**	1,617,843
Others	**132**	138
Total	**1,070,863**	1,651,636

For the year ended 31 December 2020, our revenue decreased by 35.2% as compared with 2019.

NON-HKFRS MEASURE

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

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

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss for the year	**(63,566)**	(199,804)
Add:		
Share-based payment	**38,438**	28,769
Listing expenses	**–**	35,226
Changes in fair value of financial liabilities at fair value through profit or loss	**–**	475,790
Adjusted profit/(loss) for the year[1]	**(25,128)**	339,981

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

OPERATIONAL DATA HIGHLIGHTS

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

FINANCIAL AND OPERATIONAL DATA HIGHLIGHTS

USER MANAGEMENT SAAS PLATFORM

As at 31 December 2020, 832 paying customers (2019: 645) including 251 customers from financial industry (2019: 71) and 581 customers from other industries (2019: 574) had used the Group's charged services. Approximately 19.2% of paying customers as at 31 December 2019 had not been retained over the year ended 31 December 2020. The total value of newly signed contracts (including renewed contracts) for the year ended 31 December 2020 was RMB104.0 million (2019: RMB43.4 million). The Group recorded revenue of RMB80.7 million for the year ended 31 December 2020 from such business (2019: RMB33.7 million).

INTERACTIVE ADVERTISING BUSINESS

	For the year ended 31 December	
	2020	2019
DAUs (millions)[1]	**25.5**	31.2
MAUs (millions)[1]	**324.1**	414.3
Advertising page views (millions)[2]	**11,951.6**	19,488.3
Number of chargeable clicks (millions)[3]	**3,461.2**	5,273.9
Under CPC model (millions)[3]	**2,626.2**	4,180.9
Others (millions)	**835.0**	1,093.0
Click-through rate[4]	**29.0%**	27.1%
Average revenue per chargeable click under the CPC model (RMB)	**0.37**	0.37

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

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

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

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

	For the year ended 31 December	
	2020	2019
Content distribution channels	**7,220**	6,929
Ultimate advertisers	**3,902**	4,015

For the year ended 31 December 2020, the Group had placed interactive advertisements on 7,220 content distribution channels, mainly comprising mobile apps, and the Group's interactive advertising business served 3,902 ultimate advertisers (either through advertising agent customers or as our direct customers).

BUSINESS REVIEW

Duiba Group is a leading user management SaaS service provider and interactive advertising operator in China. It provides full-cycle operation services in user acquisition, activity retention and monetization for tens of thousands of customers in financial, Internet and other industries.

1. User Management SaaS Business

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

As at 31 December 2020, paying customers which used our charged user management SaaS services increased to 832 (2019: 645) including 251 customers from financial industry (2019: 71) and 581 customers from other industries (2019: 574). For the year ended 31 December 2020, the number of newly signed contracts (including renewed contracts) for the Group's user management SaaS business reached 834 (2019: 649). The total value of our newly signed contracts (including renewed contracts) in 2020 was approximately RMB104.0 million (2019: RMB43.4 million) and the average charge per signed contract was approximately RMB125,000. Revenue generated from our user management SaaS business increased significantly by 139.7% to RMB80.7 million (2019: RMB33.7 million).

In the meantime, our user management SaaS business maintained a strong growth momentum in the second half of 2020, the total value of our newly signed contracts (including renewed contracts) in the second half of 2020 reached RMB64.4 million and the revenue generated from user management SaaS business was RMB52.3 million, representing an increase of 62.6% and 84.5% over the first half of the year, respectively. Among them, the total value of newly signed contracts (including renewed contracts) with banking customers in the second half of 2020 reached RMB27.3 million, representing an increase of 84.5% over the first half of the year.

The sales and marketing strategy of our user management SaaS business for offline businesses is to actively explore cooperation opportunities with top brands in several sectors including retailing, catering, banking and new media. In 2020, we continuously made breakthroughs in expanding our banking customer base. The total number and the total value of our newly signed contracts (including renewed contracts) with banking customers in 2020 was 203 (2019: 65) and RMB42.1 million (2019: RMB9.7 million), respectively.

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

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	**80,670**	33,655
Cost of sales	**(28,289)**	(6,355)
Selling and distribution expenses	**(58,692)**	(41,217)
Administrative expenses (excluding research and development expenses)	**(2,538)**	(3,009)
Research and development expenses	**(58,254)**	(37,706)
	(67,103)	(54,632)

The following table sets forth a breakdown of our revenue from user management SaaS business for the years indicated:

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
User management SaaS solutions	**50,041**	25,588
Other value-added services	**30,629**	8,067
	80,670	33,655

We will upgrade the core service of user management SaaS business to include three product packages: basic version, premium version and VIP customized version to meet the different needs of different customers. We will also provide enterprises with marketing products and services through continuous innovation, more targeted effective marketing strategies and campaign tools.

In addition, in 2020, the outbreak of COVID-19 has caused the live broadcast events to enter the era of public awareness and use. The majority of businesses were doing live broadcast for e-commerce. However, for banks and insurance companies, the products in these industries were obviously slow in turnover cycles and relied on salespersons to guide the customers on decision-making, thus the traditional e-commerce live streaming was not applicable here. We started to provide a complete set of professionally generated live content planning and live supporting products for customers in these industries since April 2020. In our live broadcast SaaS service, sufficient potential users were formed through the training and incentive mechanism for the salespersons of our customers. During the live broadcast process, the product interaction design cooperated with the professional host to increase user engagement. And then in the viewing process, users actively participated in raising questions, tests, reservations and receiving awards and other interactions which left precise user clues. After the live broadcast, through digital management tools, salespersons could more efficiently follow up and convert user clues brought by live broadcast. In the future, a picture will be that the salespersons or account managers of these client companies will actively request the company to continue to broadcast live events. This is the core empowerment of our products, making live broadcast an indispensable means for corporate sales. For the year ended 31 December 2020, we had 35 paying customers which used our live broadcast SaaS service.

We will invest more in research and development to provide businesses with one-stop user management SaaS service to help them manage, activate and acquire users, including reward points system operation, membership marketing operation, gamification operation and live broadcast SaaS service. We cover top brands in offline businesses especially banks and insurance companies which have a large user base and demand for one-stop user management SaaS services, and we believe they present a great untapped potential.

2. Interactive Advertising Business

In 2015, the Group pioneered and launched its interactive advertising business, which aggregated the traffic of different app scenarios, systematically managed content activities, and achieved large-scale monetization through advertisements, thereby achieving a win-win situation for each of the advertisers, media partners and users. Advanced big data analytics and AI technology also provides robust support to the innovation and operations of our interactive advertising platform. We generally charge our interactive advertising customers based on the performance of advertisements. The majority of our revenue from our interactive advertising business for the year ended 31 December 2020 was generated from the CPC (cost per click) model under which we charged customers only if viewers interacted with our advertising tools and were directed to the mobile internet page designated by the advertisers.

The worldwide outbreak of COVID-19 has caused a sharp drop of our interactive advertising business. For the four months ended 30 April 2020, the demand and budget of the advertisers took a significant beating by the economy drag from the COVID-19 outbreak and the advertising platform's offline traffic also came to a staging standstill. A slow recovery of the Group's advertising business was noted since May 2020, meanwhile we expect a strong recovery after the COVID-19 outbreak ends in the near future.

For the year ended 31 December 2020, the revenue from our interactive advertising business declined by 38.8% to RMB990.1 million (2019: RMB1,617.8 million). 46% of such revenue was contributed by the e-commerce industry and 40% of such revenue was contributed by the financial industry. Among the top 20 ultimate advertisers of our interactive advertising business in terms of revenue contribution in 2020, four customers were e-commerce platforms operated by listed companies and six customers were listed financial enterprises.

The interactive advertising model of the Group attracts users with rich and interesting high-engagement activities, and provides users with entertainment and leisure. At the same time, the advertisements are presented in the form of discounts and benefits on the landing pages, which meet and stimulate user demand.

The Group has made persistent efforts to upgrade its advertising technology capability and provide online automated and customized services to both content distribution channels and advertisers through our interactive advertising platform consisting of the media management platform and the smart advertising system.

3. Research and Development

For the year ended 31 December 2020, the Group continued to increase investment in research and development. As at 31 December 2020, the number of employees from our research and development department was 424, accounted for 52.3% of the Group's total employees, which resulted in a 21.5% increase in the Group's research and development expenses from RMB106.6 million in 2019 to RMB129.5 million in 2020. In order to improve and optimize our algorithms, we appointed Mr. Chen Xiuyi (陳秀義), who has extensive experience in the application of algorithm technology relating to online advertising, as the chief technology officer on 1 April 2020.

FINANCIAL REVIEW

As the demand and budget of the advertisers took a significant beating by the economy drag from the COVID-19 outbreak and the advertising platform's offline traffic also has come to a staging standstill, the Group's growth record was revised downwards. However, the Group further facilitated the monetization of user management SaaS business as this segment achieved rapid growth and high gross margin.

Revenue

For the year ended 31 December 2020, the Group recorded a total revenue of RMB1,070.9 million (2019: RMB1,651.6 million), with a decrease of approximately 35.2% as compared to 2019. Such decrease was attributed to the 38.8%, or RMB627.8 million, decline in the revenue from our interactive advertising business for the year ended 31 December 2020 as compared to 2019 which was mainly due to the dramatic reduction of the demand and budget of the advertisers and a staging standstill to the platform's offline traffic.

However, the revenue generated from our user management SaaS platform business recorded an increase of 139.7% to RMB80.7 million for the year ended 31 December 2020 as compared to 2019 mainly due to the increased number of newly signed contracts (including renewed contracts) and the increased unit price.

Besides, the Group recorded a revenue of RMB602.5 million for the second half of 2020 (2020H1: RMB468.4 million) representing an increase of 28.6% over the first half of 2020 due to the recovery of interactive advertising business and the rapid growth of user management SaaS business.

Gross Profit

For the year ended 31 December 2020, the Group recorded gross profit of RMB224.3 million (2019: RMB567.5 million), which decreased by approximately 60.5% as compared to 2019. The gross profit margin was approximately 20.9% (2019: approximately 34.4%) and the segmented gross profit margin for user management SaaS business and interactive advertisement business was 64.9% and 17.4%, respectively. The decline in gross profit was mainly due to the dramatic beating of the macro environment and advertising industry since the COVID-19 outbreak. The underlying reasons include, firstly, as the economy drag caused by the COVID-19 outbreak has left the advertisers with uncertain demand and budget, the Group adjusted the incentive strategy for the core advertisers. Secondly, the COVID-19 outbreak has come to a staging standstill to the advertising platform's offline traffic which contributed a higher conversion efficiency in 2019. Finally, for improving advertisement performance continuously, the Group increased the procurement of premium quality traffic from the core content distribution channels and adjusted the revenue sharing ratio.

Meanwhile, the gross profit in the second half of 2020 was RMB156.9 million (2020H1: RMB67.4 million), representing an increase of 132.7% over the first half of 2020, mainly due to the continuous recovery of the domestic economy which led to a recovery in the advertising business. Thus the Group expects a strong revenue recovery with decent profitability after the COVID-19 outbreak ends.

Selling and Distribution Expenses

For the year ended 31 December 2020, the Group recorded selling and distribution expenses of RMB119.1 million (2019: RMB105.2 million), representing an increase of 13.2% as compared to 2019, mainly due to the Group's increased selling and distribution expenses to further promote user management SaaS Business. Meanwhile, selling and distribution expenses as a percentage of our total revenue increased to approximately 11.1% (2019: approximately 6.4%), mainly because the revenue decreased due to the COVID-19 outbreak.

Administrative Expenses

For the year ended 31 December 2020, the Group recorded administrative expenses of RMB218.3 million, representing a decrease of 1.6% compared to RMB221.8 million for 2019. The Group recorded research and development expenses of RMB129.5 million (2019: RMB106.6 million) and share-based payment of RMB38.4 million (2019: RMB28.8 million) respectively. Administrative expenses as a percentage of our total revenue increased to approximately 20.4% (2019: approximately 13.4%) mainly due to the sharp increase of research and development expenses and share-based payment.

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

The loss we recognized from the change in fair value of financial liabilities at fair value through profit or loss decreased from RMB475.8 million for the year ended 31 December 2019 to nil for the year ended 31 December 2020, because all of our redeemable preference shares have been converted into ordinary shares immediately prior to our listing on 7 May 2019.

Loss for the Year

For the year ended 31 December 2020, loss attributable to the shareholders of the Group amounted to RMB63.6 million (2019: RMB199.8 million). Basic loss per share decreased to RMB6.1 cents (2019: RMB21.9 cents) mainly due to to the fact that no changes in fair value of financial liabilities at fair value through profit or loss was recorded for the year ended 31 December 2020.

Adjusted Profit/(Loss) for the Year

For the year ended 31 December 2020, the Group's adjusted loss was RMB25.1 million (2019: adjusted profit of RMB340.0 million), and such decrease was mainly caused by the significant decrease in our revenue for the year ended 31 December 2020 compared with 2019 as mentioned above.

Cash Flows

For the year ended 31 December 2020, our net cash inflow generated from operating activities was RMB35.3 million (2019: net cash inflow of RMB241.0 million), and such change was primarily due to the decrease in our revenue for the year ended 31 December 2020 compared with 2019. Our net cash outflow used in investing activities was RMB104.6 million (2019: RMB625.7 million), representing a decrease of 83.3% compared with 2019, primarily due to a decrease in purchase of financial assets at fair value through profit or loss at the amount of RMB2,301.9 million (2019: RMB3,065.9 million). Our net cash outflow used in financing activities was RMB6.7 million (2019: net cash inflow of RMB304.4 million) primarily because the Group had received a considerable amount of the net proceeds from issue of shares of the Company (the "**Shares**") in 2019.

Gearing Ratio

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes trade payables and other payables and accruals, less cash and cash equivalents. As at 31 December 2020, the Group's gearing ratio was 7.6% as compared to a negative value as at 31 December 2019 primarily due to the decrease in cash and cash equivalents.

Liquidity and Capital Structure

For the year ended 31 December 2020, the daily working capital of the Group was primarily derived from internally generated cash flow from operating activities and our initial public offering proceeds. As at 31 December 2020, the Group had cash and cash equivalents of approximately RMB135.3 million (2019: RMB220.8 million). We did not have any unutilized banking facilities as at 31 December 2020.

Foreign Exchange Risk Management

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

Material Acquisitions, Disposals and Significant Investment

On 19 June 2020, Hangzhou Keze Network Technology Co., Ltd.* (杭州可澤網絡科技有限公司) ("**Hangzhou Keze**"), a wholly-owned subsidiary of the Company, entered into the memorandum of understanding in relation to the establishment of a joint venture company, Zhejiang Gushang Intelligent Technology Co., Ltd.* (浙江谷尚智能科技有限公司) (the "**JV Company**"), pursuant to which Hangzhou Keze holds 19% of the equity in the JV Company. Based on the percentage shareholding of Hangzhou Keze in the JV Company, the total investment of the Group in the JV Company (including the land acquisition costs) is expected to be approximately RMB332.4 million. As at 31 December 2020, the aggregate carrying amount of the Group's investment in the JV Company was RMB19.0 million. For details, please refer to the announcement of the Company dated 19 June 2020 and note 17 to the audited consolidated financial information. The JV Company was recognised as an associate as at 31 December 2020. Save as disclosed above, there were no material acquisitions, disposals and significant investment of the Group for the year ended 31 December 2020.

Contingent Liabilities

The Company is currently defending a court case at the High Court of Hong Kong in respect of a claim, which arises from an allegation that the Company had committed the act of conversion against various shares of the Company that were previously owned by the plaintiff but held in the Company's custody. According to the plaintiff's pleaded case, the maximum amount of its claim for damages is approximately HK$61,000,000. The Directors, based on the information currently available and having assessed the merits of the case based on advice from the Company's legal counsel, believe that the Company has a number of valid defence arguments against the claim and, accordingly, has not provided for any claim arising from the allegation.

Charge on Assets

As at 31 December 2020, the Group had no charges on its assets (2019: nil).

ORGANIZATION AND TALENT RETENTION

As at 31 December 2020, the Group's workforce reached 810 (2019: 692), including 326 sales employees, 60 administration employees and 424 research and development employees. Identification and development of high-potential talents has been listed as a top priority for the management in 2020. Moreover, the Group provided greater incentives to talents by granting them with share options and share awards of the Company.

SOCIAL RESPONSIBILITY

During the year ended 31 December 2020, under the philosophy of "serving the people and giving back to society", the Group actively sought opportunities of giving back to society, in order to create a better living environment for local communities. The Group organized the activity of offering ginger tea to spread warmth and love in society. Volunteers from the Group set up booths of love in Shuyu Building (數娛大廈), Xihu Shufang (西湖書房) and Jinqiu Jiayuan (金秋家園) respectively, offered ginger tea and customized Chinese Fu (福字) stickers to the employees who remained at their posts during the COVID-19 outbreak and stayed in Hangzhou for the Chinese New Year. Due to the severe and complex COVID-19 outbreak in early 2020, the Group gave back to society by donation of anti-epidemic materials purchased through its channels, including masks and alcohol pads. Moreover, the Group inherits the Chinese traditional virtue of respecting the old and taking care of the young. Ahead of the winter, the Group organized its employees to visit Gudang Old-age Apartment (古蕩老人公寓), where they gave gifts to the elderly, who felt the care and warmth in society, thus establishing a profound friendship. The Group believes that the participation in community activities plays an important role in its long-term development. Through different activities to benefit the community, the Group can develop a culture of participating in community work and giving back to society. The Group will always pay attention to the people in need and spare no effort to promote the development, education and construction activities in the communities where the business of the Group is located.

FUTURE OUTLOOK

The COVID-19 outbreak has a far-reaching impact on the future economy. Enterprises are further increasing their investment in digital transformation and upgrade, especially in industries where the main business still relies mainly on offline scenarios and channels, typically represented by the banking industry. During the COVID-19 outbreak, offline outlets are unable to carry out operations, and account managers cannot visit customers, thus greatly affecting the normal development of their business. Online user management and the creation of online new user scenarios become an extremely urgent need of major banks for their business upgrade. The Group will be deeply engaged in user management SaaS business in vertical industries for a long time, and continuously upgrade and innovate our products and services, so as to create greater long-term value for banking, retail and other industries.

The COVID-19 outbreak has a significant impact on the interactive advertising business of the Group, with the staging standstill of the traffic for the offline consumption scenario due to the outbreak, and the budget pressures on advertisers in the industry. However, with the recovery of the domestic economy, the negative effects have been gradually eliminated, with a significant improvement in the market environment for the continuous growth of the interactive advertising business. Looking forward to 2021, the Group will adhere to the diversified traffic structure strategy of online and offline, omni-channel and full-scenario coverage for advertising traffic.

It is the long-term relentless mission of Duiba, a young team, to help enterprises improve their efficiency.

SUBSEQUENT EVENT

On 1 January 2021 and 1 February 2021, 80,000 and 250,000 share options under Restricted Stock Unit Option Incentive Scheme, respectively, were granted to certain employees of the Group, further detailed in note 28 to the financial statements.

REPORT OF DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Group is the leading user management SaaS provider and interactive advertising platform operator in the PRC. The principal activities of the Company and its principal subsidiaries during the Reporting Period are set out in the note 1 to the audited consolidated financial information.

RESULTS

The revenue and adjusted loss attributable to the owners of the Group for the year ended 31 December 2020 were RMB1,070.9 million and RMB25.1 million, respectively. Of such revenue, approximately 92.5% was derived from the interactive advertising business and approximately 7.5% was derived from the user management SaaS platform business. For details, please refer to the consolidated statement of profit or loss and other comprehensive income set out on page 61 of this annual report.

DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2020 (2019 interim dividend: RMB99.1 million).

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Saturday, 22 May 2021 to Friday, 28 May 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the annual general meeting of the Company to be held on Friday 28 May 2021, during which period no share transfers will be registered. To be eligible to attend the annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 21 May 2021.

BUSINESS REVIEW

Please refer to the chapter headed "Management Discussion and Analysis" on pages 9 to 15 in this annual report for details regarding the business conditions, main risks and uncertainties faced by the Group in 2020, particulars of important events affecting the Group that have occurred since 31 December 2020, and the prospect of 2021.

OUTLOOK

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

FINANCIAL SUMMARY

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

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended 31 December 2020, the Group's transaction amounts to its five largest customers accounted for 64.3% (2019: 70.6%) of the Group's total revenue and the transaction amount of its single largest customer accounted for 25.7% (2019: 18.8%) of the Company's total revenue.

Major Suppliers

For the year ended 31 December 2020, the transaction amounts of the Group's five largest suppliers accounted for 22.4% (2019: 33.9%) of the Group's total purchases and the transaction amount of its single largest supplier accounted for 6.1% (2019: 15.7%) of the Group's total purchases.

For the year ended 31 December 2020, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the total number of issued Shares) had any interest in any of the Group's five largest customers and suppliers.

RELATIONS WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

Customers

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

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

Suppliers

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

During the Reporting Period, we have advertisements on 7,220 content distribution channels and our relationships with our major suppliers have been, and are expected to continue to be, good and stable. All of our procurements were paid in RMB.

Employees

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

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

ENVIRONMENTAL PERFORMANCE AND POLICIES

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

For details of the Company's environmental policies and performance, the compliance with the relevant laws and regulations and the relations with its employees, suppliers and customers, please refer to the Environmental, Social and Governance Report of the Company for the year ended 31 December 2020 to be published on the website of the Stock Exchange (http://www.hkexnews.hk) and the Company's own website (http://www.duiba.cn) according to the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, for the year ended 31 December 2020, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 26 to the audited consolidated financial information.

RESERVES

Details of movements in the reserves of the Company during the Reporting Period are set out in note 27 to the audited consolidated financial information.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution amounted to approximately US$113.9 million (as at 31 December 2019: US$113.9 million).

TAXATION

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

BANK LOANS AND OTHER BORROWINGS

The Company did not have any bank loans or other borrowings and unutilised banking facilities as at 31 December 2020.

POST BALANCE SHEET EVENTS

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

DIRECTORS

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

Executive Directors:

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

Non-executive Directors:

Mr. Huang Tao
Mr. William Peng[4]

Independent Non-executive Directors:

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

Notes:

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

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

(3) Mr. Chen Xiuyi was appointed as an executive Director on 23 October 2020.

(4) Mr. William Peng resigned as a non-executive Director on 23 October 2020.

In accordance with article 84(2) of the Articles of Association, Mr. Zhu Jiangbo ("Mr. Zhu"), Ms. Chen Ting ("Ms. Chen") and Mr. Huang Tao ("Mr. Huang") will retire by rotation at the AGM. Mr. Zhu is eligible and has offered himself for re-election. Each of Ms. Chen and Mr. Huang does not offer herself/himself for re-election so as to devote more time to her/his own business. Ms. Chen and Mr. Huang shall hold office until the AGM.

In accordance with article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. Chen Xiuyi shall hold office until the AGM, and being eligible, has offered himself for re-election.

Details of the Directors purposed to be re-elected at the AGM are set out in the circular to the Shareholders dated 27 April 2021.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 52 to 56 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of Mr. Chen Xiaoliang and Mr. Zhu Jiangbo has entered into a service contract with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than two months' notice in writing served by either party on the other. Each of Ms. Chen Ting, Mr. Cheng Peng and Mr. Chen Xiuyi has entered into a service contract with the Company for a term of three years commencing from 25 October 2019, 2 March 2020 and 23 October 2020, respectively, which may be terminated by not less than two months' notice in writing served by either party on the other. The executive Directors are not entitled to any Director's fee.

Mr. Huang Tao has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than one month's notice in writing served by either party on the other. The non-executive Director is not entitled to any Director's fee or remuneration for holding his office as a non-executive Director.

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

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

EMOLUMENT POLICY

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

Details of the emoluments of the Directors, and the five highest paid individuals during the Reporting Period are set out in note 9 and note 10 to the audited consolidated financial information.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

RIGHTS AND INTERESTS OF DIRECTORS ON COMPETING BUSINESSES

During the Reporting Period, none of the Directors or their associates had any competing interests in the businesses which compete or are likely to compete with the Company, either directly or indirectly.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

CONTRACTS OF SIGNIFICANCE

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

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

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

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

As at 31 December 2020, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Capacity/Nature of Interest	Number of Shares held[1]	Approximate percentage of interest in the Company[2]
Mr. Chen Xiaoliang ("**Mr. Chen**") [3]	Founder of a discretionary trust and interest of controlled corporations	502,383,976 (L)	46.63%
Mr. Zhu Jiangbo ("**Mr. Zhu**") [4]	Beneficial owner	6,205,000 (L)	0.58%
Ms. Chen Ting ("**Ms. Chen**") [5]	Beneficial owner	2,153,922 (L)	0.20%
Mr. Cheng Peng ("**Mr. Cheng**") [6]	Beneficial owner	510,000 (L)	0.05%

Notes:

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

(2) The percentage is calculated based on the total number of Shares in issue as at 31 December 2020.

(3) The disclosed interest represents (i) his deemed interest in the 454,552,000 Shares held by XL Holding, which is wholly owned by CMB Wing Lung (Trustee) Limited as trustee for the Chen's Family Trust through Antopex Limited and Blissful Plus Enterprises Limited (as nominees for CMB Wing Lung (Trustee) Limited); (ii) his deemed interest in the 33,450,226 Shares held by Kewei Holding Limited as its sole director; and (iii) his deemed interest in the 14,381,750 Shares held by Duiba Kewei (BVI) Limited as its sole shareholder.

(4) Mr. Zhu is an executive Director. He directly holds 6,205,000 Shares.

(5) Ms. Chen is an executive Director. She directly holds 2,153,922 Shares.

(6) Mr. Cheng is an executive Director. He directly holds 510,000 Shares.

Save as disclosed above, as at 31 December 2020, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2020, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Capacity/Nature of Interest	Number of Shares held[1]	Approximate percentage of interest in the Company[2]
CMB Wing Lung (Trustee) Limited [3]	Trustee of a trust	454,552,000(L)	42.19%
Antopex Limited [3]	Nominee for another persons	454,552,000(L)	42.19%
Blissful Plus Enterprises Limited [3]	Interest of controlled corporation	454,552,000(L)	42.19%
XL Holding Limited [3]	Beneficial owner	454,552,000(L)	42.19%
Rising Union Limited [4]	Beneficial owner	126,230,000(L)	11.72%
Xinran Group Holding Limited [5]	Beneficial owner	73,055,700(L)	6.78%
Mr. Liu Yang ("**Mr. Liu**") [5]	Interest of controlled corporation	73,055,700(L)	6.78%

Notes:

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

(2) The percentage is calculated based on the total number of Shares in issue as at 31 December 2020.

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

(4) Rising Union Limited, a limited liability company incorporated in the BVI, is owned as to (i) 93% by Orchid Asia VII, L.P. ("**OA7**"), and (ii) 7% by Orchid Asia VII Co-Investment, Limited ("**OA-Co**"), both of which are controlled by Areo Holdings Limited. OA7 is principally engaged in equity investments in private companies, and OA-Co is an entity incorporated to invest alongside with OA7. According to the disclosure of interests notice filed by Areo Holdings Limited dated 20 September 2019, Areo Holdings Limited controls Rising Union Limited through its controlled corporations, namely OAVII Holdings, L.P., Orchid Asia VII GP, Limited, Orchid Asia V Group Management, Limited and Orchid Asia V Group, Limited. Mr. Gabriel Li is the sole Director of Rising Union Limited and is deemed to be interested in the 133,000,000 Shares held by Rising Union Limited. Ms. Lam Lai Ming is the spouse of Mr. Gabriel Li. Accordingly, each of OA7, OAVII Holdings, L.P., Orchid Asia VII GP, Limited, Orchid Asia V Group Management, Limited, Orchid Asia V Group, Limited, Areo Holdings Limited, Mr. Gabriel Li and Ms. Lam Lai Ming is deemed to be interested in the 126,230,00 Shares held by Rising Union Limited.

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

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

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

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

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

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

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

The Share Option Scheme is valid and effective for a period of ten years commencing on the Listing Date, and it has a remaining life of approximately eight years as at the date of this annual report. During the Reporting Period, no option had been granted or agreed to be granted by the Company pursuant to the Share Option Scheme. There was no outstanding share option under the Share Option Scheme as at 31 December 2019 and 31 December 2020.

SHARE AWARD SCHEME

The Company has adopted a share award scheme on 17 April 2019 (the "**Duiba Share Award Scheme**"), which is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules. The purpose of the Duiba Share Award Scheme is to recognize contributions by certain employees and to provide them with incentives in order to retain them for the continuing operation and development of the Group and to attract suitable personnel for the further development of the Group.

The Board may from time to time select any employee of the Group (excluding any excluded employee) for participation in the Duiba Share Award Scheme as a selected employee and grant to such selected employee awarded shares at no consideration and in such number on and subject to such terms and conditions as it may in its discretion determine. The Board is entitled to impose any conditions as it deems appropriate in its discretion with respect to the vesting of the awarded shares on the selected employee.

The maximum number of shares which may be awarded to a selected employee under the Scheme shall not exceed one per cent. (1%) of the issued share capital of the Company from time to time. The maximum number of Shares and awarded shares which may be held and managed by the trustee of the Duiba Share Award Scheme shall not exceed two per cent. (2%) of the issued share capital of the Company from time to time.

Subject to any early termination as may be determined by the Board in accordance with the rules of the Duiba Share Award Scheme, the Duiba Share Award Scheme is valid and effective for a period of ten years commencing on its adoption date, and it has a remaining life of approximately eight years as at the date of this annual report. Details of the Duiba Share Award Scheme are set out in the Prospectus.

During the Reporting Period, no awarded share had been granted or agreed to be granted by the Company pursuant to the Duiba Share Award Scheme. There was no outstanding awarded share under the Duiba Share Award Scheme as at 31 December 2019 and 31 December 2020.

RESTRICTED STOCK UNIT SCHEME

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

During the year ended 31 December 2020, a share award expense of RMB1.7 million (2019: RMB4.3 million), was charged to profit or loss. Further details of the Restricted Stock Unit Scheme are set out in note 28 to consolidated financial statements.

RESTRICTED STOCK UNIT OPTION INCENTIVE SCHEME

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

The Group recognised a share option expense of RMB36.7 million (2019: RMB24.4 million) for the year ended 31 December 2020. Further details of the Restricted Stock Unit Option Incentive Scheme are set out in note 28 to consolidated financial statements.

EQUITY-LINKED AGREEMENTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 9 January 2020, the Company cancelled 26,339,200 Shares which were repurchased on the Stock Exchange for the period from 16 September 2019 to 31 December 2019 at a total consideration (before expenses) of HK$120,569,514.

Save as disclosed above, during the year ended 31 December 2020, neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2020 are set out in note 32 to the audited consolidated financial information. They include the remuneration to the chief executive and the Directors of the Group, which form part of the "Compensation of key management personnel of the Group"described in note 32(b) to the consolidated financial statements. These were continuing connected transactions exempt from the connected transaction requirements under Rule 14A.76(1) or Rule 14A.95 of the Listing Rules.

Save as disclosed above, during the Reporting Period, there were no connected transactions or continuing connected transactions which are needed to be disclosed under Chapter 14A of the Listing Rules.

DONATIONS

During the Reporting Period, the charitable and other donations made by the Company amounted to RMB23,000.

DEBENTURES ISSUED

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

SIGNIFICANT LEGAL PROCEEDINGS

Save as the contingent liabilities disclosed in the chapter headed "Management Discussion and Analysis", during the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

PERMITTED INDEMNITY PROVISION

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

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

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 32 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 32 to 51 of this annual report.

USE OF NET PROCEEDS FROM LISTING

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

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

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

As at 31 December 2020, the Group had utilized the Net Proceeds in the manner as set out in the table below:

	Approximate percentage of total amount	Net Proceeds	Utilization as at 31 December 2020	Utilization from 1 January 2020 to 31 December 2020	Unutilized amount
		RMB' million	RMB' million	RMB' million	RMB' million
Research and development	37%	180.2	87.8	73.9	92.4
Sales and marketing	25%	125.1	57.9	46.7	67.2
Operations	8%	38.1	16.0	13.1	22.1
Acquisitions	20%	98.1	–	–	98.1
Working capital	10%	49.0	49.0	19.6	–
Total	**100%**	**490.5**	**210.7**	**153.3**	**279.8**

As at 31 December 2020, the Company has utilized approximately RMB210.7 million of the Net Proceeds, and the amount of Net Proceeds which remained unutilized amounted to approximately RMB279.8 million. During the Year, there was no change in the intended use of the Net Proceeds as previously disclosed in the Prospectus. The advance or delay in the use of the actual use of the Net Proceeds during the Year was mainly due to the advance or delay in the execution of the Group's business plan.

On 11 April 2021, having reassessed the recent market conditions and business development of the Company, the Board has resolved to change the proposed use of proceeds. In particular, the Group will reallocate part of the Net Proceeds originally allocated for recruitment of staff to improve technology infrastructure and enhancement of the Group's sales and marketing function to the establishment of a research and development center building. As at 11 April 2021, the utilized amount and unutilized balance of the Net Proceeds was RMB247.2 million and RMB243.3 million, respectively. For further details of the change in use of proceeds, please refer to the announcement of the Company dated 11 April 2021. The use of Net Proceeds as at 11 April 2021 and details of the reallocated Net Proceeds are as follows:

Use of Net Proceeds	Planned allocation of Net Proceeds	Proposed change of allocation of Net Proceeds	Revised allocation of Net Proceeds	Utilized amount as at 11 April 2021 (after revised allocation)	Remaining unutilized amount after revised allocation
	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million
(1) Enhancement of the Group's research and development function					
– Recruitment of business-specific staff	82.2	+8.0	90.2	54.2	36.0
– Investment in servers	41.1	+8.0	49.1	33.8	15.3
– Recruitment of staff to improve technology infrastructure	34.1	−27.0	7.1	5.1	2.0
– Establishing a research and development center building	22.8	+60.0	82.8	19.0	63.8
	180.2	**+49.0**	**229.2**	**112.1**	**117.1**
(2) Enhancement of the Group's sales and marketing function					
– Recruitment of sales and marketing staff	46.0	−10.0	36.0	24.2	11.8
– Undertaking marketing activities	79.1	−35.0	44.1	40.0	4.1
	125.1	**−45.0**	**80.1**	**64.2**	**15.9**
(3) Enhancement of the Group's operational function					
– Recruitment of business-specific staff	29.2	+2.0	31.2	19.9	11.3
– Improving the Group's operational facilities	8.9	−6.0	2.9	2.0	0.9
	38.1	**−4.0**	**34.1**	**21.9**	**12.2**

Use of Net Proceeds	Planned allocation of Net Proceeds	Proposed change of allocation of Net Proceeds	Revised allocation of Net Proceeds	Utilized amount as at 11 April 2021 (after revised allocation)	Remaining unutilized amount after revised allocation
	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million
(4) Investment into and acquiring companies and businesses	98.1	–	98.1	–	98.1
(5) Working capital and other general corporate purposes	49.0	–	49.0	49.0	–
	490.5	–	490.5	247.2	243.3

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

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

AUDITOR

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

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

On behalf of the Board
Chen Xiaoliang
Chairman

Hangzhou, PRC, 30 March 2021

CORPORATE GOVERNANCE PRACTICES

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

THE BOARD

Responsibilities

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

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

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

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

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

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

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

Board Composition

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

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

Non-executive Director:
Mr. Huang Tao

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

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

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

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

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

Board Diversity Policy

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

The Board members have a balanced mix of experiences and background, including but not limited to experiences in computer science, e-commerce, electronics, real estate, securities, financial, education and legal industries. The Board members obtained degrees in various majors including information and computing science, automation, electrical engineering, electronic information engineering, finance, business administration, political science and law. We have two non-executive Directors and three independent non-executive Directors with different industry backgrounds, and they together represent more than half of the members of the Board. Moreover, the members of Board have a wide range of age, ranging from 29 years old to 58 years old. While we recognize that the gender diversity at the Board level can be improved given its current composition of male-majority Directors, we will continue to apply the principle of appointments based on merits with reference to the Board Diversity Policy as a whole, and we will continue to take steps to promote gender diversity at all levels of the Company.

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

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

The measurable objectives

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

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

Progress on achieving the objectives

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

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

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

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

Induction and Continuous Professional Development

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

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

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

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

Notes:

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

B: Reading materials relating to the legal and regulatory updates

C: Attending training relating to the Company's business

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

Appointment and Re-election of Directors

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

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

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

In accordance with Article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

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

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

Board Meetings

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

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

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

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

Directors	Attended/ Eligible to attend the Board meeting(s)	Attended/ Eligible to attend the general meeting
Executive Directors:		
Mr. Chen Xiaoliang	4/4	1/1
Mr. Zhu Jiangbo	4/4	1/1
Ms. Chen Ting	4/4	1/1
Mr. Xu Hengfei[(1)]	0/0	0/0
Mr. Cheng Peng	4/4	1/1
Mr. Chen Xiuyi[(2)]	0/0	0/0
Non-executive Directors:		
Mr. Huang Tao	4/4	0/1
Mr. William Peng	4/4	0/1
Independent Non-executive Directors:		
Mr. Kam Wai Man	4/4	1/1
Dr. Ou-Yang Hui	4/4	1/1
Dr. Gao Fuping	4/4	1/1

Notes:

(1) From 1 January 2020 to the resignation of Mr. Xu Hengfei as an executive Director on 2 March 2020, the Company had not held any Board meeting and had not held any general meeting.

(2) After the appointment of Mr. Chen Xiuyi as an executive Director on 23 October 2020 and up to 31 December 2020, the Company had not held any Board meeting and had not held any general meeting.

Model Code for Securities Transactions

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

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

Delegation by the Board

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

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

Corporate Governance Function

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

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

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

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

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

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

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

BOARD COMMITTEES

Audit Committee

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

The principal duties of the Audit Committee include the following:

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

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

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

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

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

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

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

During the Reporting Period, two meetings of the Audit Committee were held to discuss and consider the following matters:

- reviewed the consolidated financial statements, annual results announcement and the annual report for the year ended 31 December 2019, and submitted them to the Board for approval;

- reviewed the consolidated unaudited financial statements, interim results announcement and the 2020 interim report for the six months ended 30 June 2020, and submitted them to the Board for approval;

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

- discussed the audit plan for the year ended 31 December of 2020 with the Auditor.

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

Directors	Attended/ Eligible to attend
Mr. Kam Wai Man (Chairman)	2/2
Dr. Ou-Yang Hui	2/2
Dr. Gao Fuping	2/2

Nomination Committee

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

The principal duties of the Nomination Committee include the following:

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

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

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

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

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

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

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

During the Reporting Period, two meetings of the Nomination Committee were held to discuss and consider the following matters:

- discussed and considered the acceptance of Mr. Xu Hengfei's resignation as executive Director and appointment of Mr. Cheng Peng as executive Director; and

- discussed and considered the acceptance of Mr. William Peng's resignation as non-executive Director and appointment of Mr. Chen Xiuyi as executive Director.

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

Directors	**Attended/ Eligible to attend**
Mr. Chen Xiaoliang (Chairman)	2/2
Mr. Kam Wai Man	2/2
Dr. Ou-Yang Hui	2/2
Dr. Gao Fuping	2/2

Policy on Director Nomination

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

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

   (i) reputation for integrity;

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

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

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

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

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

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

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

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

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

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

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

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

Remuneration Committee

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

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

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

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

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

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

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

During the Reporting Period, two meetings of the Remuneration Committee were held to discuss, review and consider the remuneration packages of Mr. Cheng Peng and Mr. Chen Xiuyi as executive Directors.

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

Directors	Attended/ Eligible to attend
Dr. Ou-Yang Hui (Chairman)	2/2
Dr. Gao Fuping	2/2
Mr. Kam Wai Man	2/2
Mr. Zhu Jiangbo	2/2

Remuneration of Senior Management

Details of the remuneration by band of the members of the senior management of the Company (including three Directors) whose biographies are set out on pages 55 to 56 of this annual report, during the Reporting Period, are set out below:

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2020 which give a true and fair view of the affairs of the Company and of the Company's results and cash flows.

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

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

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 57 to 60 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Board oversees risk management functions directly and also through the Audit Committee and the senior management, and will assess the effectiveness of the risk management and internal control systems at least once a year.

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

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

The Board and the Audit Committee have evaluated the design and operating effectiveness of its internal control regarding the financial report for the year ended 31 December 2020, and did not identify any material weakness as a result of the evaluation, and were not aware of any areas of concern that would have a material impact on the Company's financial position or results of operations, and considered the risk management and internal control systems to be generally adequate and effective, including with respect to the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit and financial reporting functions. The Board considered the risk management and internal control systems for the year ended 31 December 2020 were adequate and effective.

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

Major risks of the Company

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

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

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

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

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

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

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

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

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

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

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

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

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

Disclosure of Inside Information

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

DIVIDEND POLICY

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

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

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditor to the Company for the year ended 31 December 2020 was approximately as follows:

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

JOINT COMPANY SECRETARIES

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

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

For the year ended 31 December 2020, Mr. Wang and Ms. Ng had undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

SHAREHOLDERS' RIGHTS

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

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

Convening of Extraordinary General Meeting and Putting Forward Proposals

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

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

Enquiries to the Board

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Xiaoliang (**陳曉亮**), aged 30, was appointed as an executive Director on 26 February 2018. Mr. Chen is also the founder of the Group, the chairman of the Board and the chief executive officer of the Company. Mr. Chen is responsible for overseeing the strategic development and business operations of the Group. He received a bachelor of science degree in information and computing science from Hangzhou Normal University Qianjiang College, the PRC in June 2013. He founded HZ Duiba in May 2011 and served as a director from its establishment until April 2014, when he became the chief executive officer of HZ Duiba. Mr. Chen Xiaoliang also holds directorship in a number of subsidiaries of the Company, Duiba Group (Hong Kong) Limited, Hangzhou Duiba Internet Technology Company Limited (杭州兑吧網絡科技有限公司), Hangzhou Tuia Internet Technology Company Limited (杭州推啊網絡科技有限公司), Hangzhou Maibaola Internet Technology Company Limited (杭州麥爆啦網絡科技有限公司), Hangzhou Keze Network Technology Company Limited (杭州可澤網路科技有限公司) and Hangzhou Duijie Internet Technology Company Limited (杭州兑捷網絡科技有限公司). Mr. Chen Xialiang is the director of XL Holding, a controlling shareholder of the Company.

Mr. Zhu Jiangbo (**朱江波**), aged 30, was appointed as an executive Director on 14 August 2018. Mr. Zhu is the chief operating officer of the Group and an executive Director. He received a bachelor of science degree in Electronic Information Engineering (Embedded Software Services) from Hangzhou Normal University Qianjiang College, the PRC in June 2014. He joined the Group in May 2014 and served as the chief marketing officer of the Group from May 2014 to March 2018, responsible for the formulation and execution of the overall marketing strategies of the Group. Mr. Zhu was appointed as president of HZ Youfen in March 2018 and is also responsible for the overall business operation and management of HZ Youfen since then. Mr. Zhu was promoted to the chief operating officer of the Group in August 2018 and he is responsible for the overall operation and management of the business of the Group.

Mr. Zhu is currently a director in a number of subsidiaries of the Company, namely Hangzhou Duiba Internet Technology Company Limited (杭州兑吧網絡科技有限公司), Hangzhou Duia Internet Technology Company Limited (杭州兑啊網絡科技有限公司), Hangzhou Maiquan Internet Technology Company Limited (杭州麥全網絡科技有限公司), Hangzhou Youfen Internet Technology Company Limited (杭州有粉網絡科技有限公司), Hangzhou Nanjue Internet Technology Company Limited (杭州南爵網絡科技有限公司), Hangzhou Moli Internet Company Limited (杭州魔力網絡有限公司), Hangzhou Maiyan Internet Technology Company Limited (杭州麥嚴網絡科技有限公司), Hangzhou Keze Internet Technology Company Limited (杭州可澤網絡科技有限公司), Hangzhou Maiyougou Internet Technology Company Limited (杭州麥優購網絡科技有限公司), Hangzhou Meiren Internet Technology Company Limited (杭州美韌網絡科技有限公司), Hangzhou Shentong Internet Technology Company Limited (杭州神同網絡科技有限公司), Hangzhou Taotaole Internet Technology Company Limited (杭州淘淘樂網絡科技有限公司), Hangzhou Fenlefei Internet Technology Company Limited (杭州粉樂飛網絡科技有限公司) and Hangzhou Kejiji Internet Technology Company Limited (杭州客吉吉網絡科技有限公司).

Ms. Chen Ting (**陳婷**), aged 31, was appointed as an executive Director on 25 October 2019. Ms. Chen is responsible for the management of the Group's administrative and daily affairs, the formulation and implementation of the Group's internal policies and systems and maintaining internal and external communications of the Group. Ms. Chen received a bachelor of science degree in information and computing science from Hangzhou Normal University, the PRC in June 2013. She joined the Group in 2013 and is currently the chief administrative officer, general manager and legal representative of HZ Duiba.

Mr. Cheng (程鵬), aged 32, was appointed as an executive Director on 2 March 2020. Mr. Cheng is responsible for overseeing the legal and regulatory affairs of the Group and providing leadership to legal and corporate governance functions of the Group. Mr. Cheng received a bachelor of laws degree, specialising in intellectual property, from East China University of Political Science and Law, the PRC in July 2012. He joined the Group in May 2018. Mr. Cheng worked (i) from October 2017 to May 2018 at Zhe Jiang Z&J Law Firm* (浙江浙經律師事務所) as a lawyer; (ii) from April 2016 to September 2017 in the investment banking division of the Zhejiang branch of Industrial Securities Co., Ltd.* (興業證券股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 601377) which provides a wide range of financial services including (1) brokerage, (2) loans and financing, (3) investment banking, (4) asset management, and (5) proprietary trading, where he was a manager and was responsible for monitoring the legal and regulatory aspects of corporate transactions; and (iii) from March 2013 to March 2016 at Zhejiang Zehow Law Firm* (浙江澤厚律師事務所) as a lawyer. Mr. Cheng is currently a director in a number of subsidiaries of the Company, namely Hangzhou Duiba Internet Technology Company Limited (杭州兑吧網絡科技有限公司) and Hangzhou Keze Internet Technology Company Limited (杭州可澤網絡科技有限公司).

Mr. Chen Xiuyi (陳秀義), aged 39, was appointed as an executive Director on 23 October 2020. Mr. Chen is responsible for researching and discovering forward-looking technology structures and solutions in relation to the products and services of the Company and leading the Company's continuous effort to upgrade its technology capability, in particular, in big data and advertisement recommendation calculations. Mr. Chen has extensive experience in the application of calculation technologies relating to online advertising. Before he joined the Company in April 2020, he worked at (i) Baidu, Inc. (a Chinese Internet company whose shares are listed on the Nasdaq Stock Market (NASDAQ: BIDU) and which is primarily engaged in the provision of search engine services); (ii) 58.com Inc. (a Chinese Internet company whose shares are listed on the New York Stock Exchange (NYSE: WUBA) and which is primarily engaged in the operation of an online marketplace that serves local merchants and customers in the PRC); and (iii) Alibaba Group Holding Limited (a Chinese Internet company whose shares are listed on the New York Stock Exchange (NYSE: BABA) and the Stock Exchange (stock code: 9988) and which is primarily engaged in the operation of e-commerce online platforms) as a search algorithm expert.

NON-EXECUTIVE DIRECTOR

Mr. Huang Tao (黃韜), aged 37, was appointed as a non-executive Director on 31 May 2018. Mr. Huang is the managing director of Orchid Asia Group Management, Limited ("**Orchid Asia**"). Since 2010, Mr. Huang has been responsible for Orchid Asia's private equity investment in the telecom media and technology sector and matters relating to the management of the investment enterprises. Mr. Huang obtained a bachelor of commerce degree in finance from The University of International Business and Economics, the PRC in July 2006. Prior to joining Orchid Asia, from 2006 to 2010, Mr. Huang worked at McKinsey & Company, Shanghai.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kam Wai Man (甘偉民), aged 46, was appointed as an independent non-executive Director on 17 April 2019. Mr. Kam has over 15 years of experience in corporate finance. Mr. Kam has served as a managing director of Innovax Capital Limited ("**Innovax Capital**") since February 2017. He has been a responsible officer of Innovax Capital for Type 6 regulated activities (advising on corporate finance) under the SFO since April 2017 and Mr. Kam is one of the sponsor principals of Innovax Capital.

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

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

Dr. Ou-Yang Hui (歐陽輝), aged 59, was appointed as an independent non-executive Director on 17 April 2019. Dr. Ou-Yang is the Dean's Distinguished Chair Professor of Finance and the academic director for executive master of business administration program at Cheung Kong Graduate School of Business. Dr. Ou-Yang obtained a doctor of philosophy degree from Tulane University, the United States in December 1990, and a doctor of philosophy degree in business administration from the University of California, Berkeley, the United States in May 1998.

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

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

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

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

SENIOR MANAGEMENT

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

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

Mr. Chen Xiuyi (陳秀義), Chief Technology Officer of the Company – see the paragraph under "Executive Directors" above.

Mr. Lyu Bin (呂斌), aged 32, is the vice president of the Group. Mr. Lyu received a bachelor of science degree in materials science and engineering from Shanghai Jiao Tong University, the PRC in July 2010. Mr. Lyu joined the Group in June 2016 as project general manager of HZ Duiba, and then served as operational general manager of HZ Tuia from December 2016 to June 2017, and served as the operational vice president of the Group from June 2017 to June 2019. Subsequently, Mr. Lyu has been promoted and serving as the senior vice president of the Group from June 2019.

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

Mr. Yi Bingmin (易炳民), aged 42, is the financial controller of the Group. He has over ten years of experience in accounting and financial management. He received an associate degree in accounting from Henan University of Finance of Economics (河南財經學院), the PRC in June 2005, and later he obtained a bachelor of finance degree from Dongbei University of Finance and Economics (東北財經大學), the PRC in July 2013 through online courses. Mr. Yi became a non – practicing member of the Zhejiang Institute of Certified Public Accountants in May 2010.

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

Mr. Yao Wenquan (么文權), aged 35, is the senior vice president of user management SaaS platform business and mainly responsible for the market development, marketing management and service management of the user management SaaS platform business. Mr. Yao graduated from Dalian Maritime University and joined the Group in November 2019. Mr. Yao has a wealth of experience in marketing and management in the field of Chinese business software.

Ms. Li Chunting (李春婷), aged 33, is the senior vice president of interactive advertising business. Ms. Li graduated from Chongqing University of Posts and Telecommunications. After joined the Group in June 2017, Ms. Li has engaged in the data mining analysis, operation strategy formulation and implementation and operation team management, and has held important positions within the Group.

Mr. Lu Wen (陸文), aged 30, is the senior vice president of user management SaaS platform business and mainly responsible for the strategy formulation and implementation of the user management SaaS platform business. Mr. Lu graduated from Zhejiang A & F University. After joined the Group in June 2016, Mr. Lu has engaged in the marketing and operation and has extensive experience in enterprise customer service.

Ms. Lu Hui (盧慧), aged 30, is the vice president of interactive advertising business and mainly responsible for the growth of Key Account of content distribution channels and talent development of the team. Ms. Lu joined the Group in March 2015 and was promoted to partner in October 2017.

Ms. Bao Jingjing (鮑晶晶), aged 29, is the vice president of interactive advertising business and mainly responsible for the growth of Key Account of advertisers and talent development of the team. Ms. Bao graduated from Zhejiang Gongshang University and joined the Group in September 2015, she was engaged in the business development and was promoted to be the vice president of interactive advertising business in January 2021.

Mr. Zheng Kaiyao (鄭凱耀), aged 28, is the vice president of innovative business and mainly responsible for customer acquisition, operation and delivery capability improvement. Mr. Zheng graduated from Hangzhou Normal University and joined the Group in January 2018, and he has a wealth of experience in operation and production.

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

OPINION

We have audited the consolidated financial statements of Duiba Group Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 61 to 145, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

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

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
As at 31 December 2020, the net carrying value of the Group's trade receivables amounted to RMB93,052,000 after netting off a loss allowance for impairment of RMB251,000, representing 6% of the Group's total assets. The impairment of trade receivables was assessed based on the expected credit loss model. The assessment of expected credit losses of trade receivables was performed at 31 December 2020 using simplified approach which involved significant management's judgement and estimation including their assessment of customers' current financial positions and forward-looking information. The assessment was highly judgmental. The Group's disclosures about the impairment assessment of trade receivables are included in notes 2.4, 3 and 18 in the financial statements.	We evaluated the expected credit loss provision methodology used by the Group. We also evaluated management's assessment on the estimates of customers' current financial positions and the forward-looking adjustments by reviewing the detailed analyses of the ageing of the receivables, testing on a sample basis, payments received subsequent to year end and historical payment patterns, reviewing correspondence related to any disputes between the parties involved and market information about the credit status of the counterparties, where available, and evaluating the analyses of influence from macroeconomics on the loss rates of the Group's customers.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, the Report of Directors and the Corporate Governance Report, which are expected to be made available to us after that date.

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

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

When we read the Chairman's Statement, the Report of Directors and the Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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.

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

- 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 to 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 Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**1,070,863**	1,651,636
Cost of sales		**(846,533)**	(1,084,138)
Gross profit		**224,330**	567,498
Other income and gains	5	**50,873**	31,942
Selling and distribution expenses		**(119,119)**	(105,185)
Administrative expenses		**(218,275)**	(221,813)
Changes in fair value of financial liabilities at fair value through profit or loss	7	**–**	(475,790)
Other expenses		**(7,973)**	(5,774)
Finance costs	8	**(261)**	(244)
Share of loss of an associate		**(35)**	–
LOSS BEFORE TAX	6	**(70,460)**	(209,366)
Income tax credit	11	**6,894**	9,562
LOSS FOR THE YEAR		**(63,566)**	(199,804)
Attributable to:			
Owners of the parent		**(63,566)**	(199,804)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**(45,047)**	52,299
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(45,047)**	52,299
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(108,613)**	(147,505)
Attributable to:			
Owners of the parent		**(108,613)**	(147,505)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
BASIC AND DILUTED (RMB)	13	**(6.1) cents**	(21.9) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**8,176**	5,238
Intangible assets	15	**515**	679
Right-of-use assets	16(a)	**9,033**	3,494
Investment in an associate	17	**18,965**	–
Deferred tax assets	25	**28,741**	20,863
Prepayments, other receivables and other assets	19	**3,031**	1,606
Total non-current assets		**68,461**	31,880
CURRENT ASSETS			
Trade receivables	18	**93,052**	146,586
Prepayments, other receivables and other assets	19	**132,660**	124,155
Financial assets at fair value through profit or loss	20	**1,147,571**	1,072,857
Restricted cash	21	**20,252**	–
Cash and cash equivalents	21	**135,269**	220,779
Total current assets		**1,528,804**	1,564,377
CURRENT LIABILITIES			
Trade payables	22	**89,434**	101,853
Other payables and accruals	23	**151,877**	109,277
Contract liabilities	24	**55,835**	20,455
Lease liabilities	16(b)	**6,042**	2,988
Total current liabilities		**303,188**	234,573
NET CURRENT ASSETS		**1,225,616**	1,329,804
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,294,077**	1,361,684
NON-CURRENT LIABILITIES			
Lease liabilities	16(b)	**2,029**	445
Deferred tax liabilities	25	**1,656**	672
Total non-current liabilities		**3,685**	1,117
Net assets		**1,290,392**	1,360,567

	Notes	2020 RMB'000	2019 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	**70**	72
Treasury shares	26	**–**	(108,565)
Reserves	27	**1,290,322**	1,469,060
Total equity		**1,290,392**	1,360,567

Mr. Chen Xiaoliang
Director

Ms. Chen Ting
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the parent							
	Share capital	Treasury shares	Share premium account*	Capital reserve*	Statutory surplus reserve*	Accumulated losses*	Exchange fluctuation reserve*	Total equity
	RMB'000 (note 26)	RMB'000 (note 26)	RMB'000 (note 26)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000	RMB'000	RMB'000
At 1 January 2020	72	(108,565)	2,052,013	(89,828)	45,416	(557,268)	18,727	1,360,567
Loss for the year	–	–	–	–	–	(63,566)	–	(63,566)
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(45,047)	(45,047)
Total comprehensive loss for the year	–	–	–	–	–	(63,566)	(45,047)	(108,613)
Equity-settled share award and option arrangements (note 28)	–	–	–	38,438	–	–	–	38,438
Cancellation of treasury shares	(2)	108,565	(108,563)	–	–	–	–	–
Transfer to statutory reserve	–	–	–	–	2,168	(2,168)	–	–
At 31 December 2020	70	–	1,943,450	(51,390)	47,584	(623,002)	(26,320)	1,290,392

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

* These reserve accounts comprise the consolidated reserves of RMB1,290,322,000 (2019: RMB1,469,060,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(70,460)**	(209,366)
Adjustments for:			
Share of loss of an associate		**35**	–
Bank interest income	5	**(1,607)**	(3,111)
Investment income from financial assets at fair value through profit or loss	5	**(19,902)**	(19,172)
Foreign exchange (gain)/loss, net	6	**(18,561)**	4,445
(Gain)/loss on disposal of items of property, plant and equipment	6	**(198)**	121
Depreciation of property, plant and equipment	14	**3,277**	5,026
Changes in fair value of financial assets at fair value through profit or loss	6	**7,636**	(1,586)
Amortisation of intangible assets	15	**322**	305
Changes in fair value of financial liabilities at fair value through profit or loss	7	**–**	475,790
Equity-settled share award and option expense	27	**38,438**	28,769
Depreciation of right-of-use assets	16(a)	**5,754**	6,194
Impairment of trade receivables, net	18	**103**	44
		(55,163)	287,459
Increase in restricted cash		**(20,252)**	–
Decrease/(increase) in trade receivables		**53,431**	(31,667)
Increase in prepayments, other receivables and other assets		**(9,930)**	(77,235)
(Decrease)/increase in trade payables		**(12,419)**	38,644
Increase/(decrease) in contract liabilities		**35,380**	(202)
Increase in other payables and accruals		**42,600**	20,834
Cash generated from operations		**33,647**	237,833
Interest received		**1,607**	3,111
Tax refund		**–**	23
Net cash flows from operating activities		**35,254**	240,967

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		351	1,411
Purchases of items of property, plant and equipment	14	(6,368)	(2,866)
Purchases of financial assets at fair value through profit or loss		(2,301,905)	(3,065,898)
Proceeds from disposal of financial assets at fair value through profit or loss		2,222,499	2,441,703
Purchase of a shareholding in an associate		(19,000)	–
Purchases of intangible assets	15	(158)	(90)
Net cash flows used in investing activities		104,581	(625,740)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments		(6,655)	(6,255)
Dividends paid		–	(99,126)
Proceeds from issue of shares		–	574,640
Share issue expenses		–	(26,727)
Repurchase of shares		–	(138,135)
Net cash flows (used in)/from financing activities		(6,655)	304,397
NET DECREASE IN CASH AND CASH EQUIVALENTS		(75,982)	(80,376)
Net foreign exchange difference		(9,528)	19,590
Cash and cash equivalents at beginning of year		220,779	281,565
CASH AND CASH EQUIVALENTS AT END OF YEAR		135,269	220,779
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows	21	135,269	220,779

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

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

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Duiba Group (Hong Kong) Limited ("**Duiba HK**")	Hong Kong 11 April 2018	Hong Kong dollar ("**HK$**") 1	100%	–	Investment holding
Hangzhou Duiba Internet Technology Co., Ltd. ("**HZ Duiba**") 杭州兑吧網絡科技有限公司[i]	People's republic of China (the "**PRC**")/ Mainland China 13 May 2011	Renminbi ("**RMB**") 50,000,000	–	100%	User management SaaS platform
Hangzhou Tuia Internet Technology Co., Ltd. ("**HZ Tuia**") 杭州推啊網絡科技有限公司[ii]	PRC/Mainland China 22 September 2016	RMB 50,000,000	–	100%	Interactive advertising
Hangzhou Maibaola Internet Technology Co., Ltd. 杭州麥爆啦網絡科技有限公司[ii]	PRC/Mainland China 12 October 2016	RMB 1,000,000	–	100%	Interactive advertising
Khorgas Tuia Internet Technology Co., Ltd. ("**Khorgas Tuia**") 霍爾果斯推啊網絡科技有限公司[ii]	PRC/Mainland China 25 January 2018	RMB 10,000,000	–	100%	Interactive advertising
Hangzhou Youfen Internet Technology Co., Ltd. 杭州有粉網絡科技有限公司[ii]	PRC/Mainland China 25 October 2016	RMB 200,000	–	100%	Interactive advertising

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Maiquan Network Technology Co., Ltd. 杭州麥全網絡科技有限公司[ii]	PRC/Mainland China 28 December 2017	RMB 1,000,000	–	100%	Interactive advertising
Hangzhou Nanjue Network Technology Co., Ltd. 杭州南爵網絡科技有限公司[ii]	PRC/Mainland China 15 January 2018	RMB 12,000,000	–	100%	Interactive advertising
Hangzhou Duia Network Technology Co., Ltd. ("**HZ Duia**") 杭州兑啊網絡科技有限公司[ii]	PRC/Mainland China 15 January 2018	RMB 50,000,000	–	100%	User management SaaS platform
Hangzhou Kejiji Network Technology Co., Ltd. 杭州客吉吉網絡科技有限公司[ii]	PRC/Mainland China 29 March 2018	RMB 5,000,000	–	100%	Interactive advertising
Huocheng Duijie Internet Technology Co., Ltd. ("**Huocheng Duijie**") 霍城兑捷網絡科技有限公司[ii]	PRC/Mainland China 20 June 2019	RMB 10,000,000	–	100%	Interactive advertising
Hangzhou Keze Network Technology Co., Ltd. ("**HZ Keze**") 杭州可澤網絡科技有限公司[ii]	PRC/Mainland China 25 September 2018	USD 20,000,000	–	100%	Interactive advertising

Notes:

(i) This entity is registered as a wholly-foreign-owned enterprise under PRC law.

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendment to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

The Group has early adopted the amendment on 1 January 2020. The amendment did not have any impact on the financial position and performance of the Group as the Group does not have any Covid-19-Related rent concessions for the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-Contracts*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

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

[1] Effective for annual periods beginning on or after 1 January 2021

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after 1 January 2023

[4] No mandatory effective date yet determined but available for adoption

[5] As a consequence of the amendment to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

[6] As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments did not have any significant impact on the financial position and performance of the Group.

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of associates, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

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, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

A party is considered to be related to the Group if: (continued)

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

Intangible assets (other than goodwill)

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

Software

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

Research and development costs

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Group assesses at contract inception whether a 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.

Group as a lessee

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

(a) Right-of-use assets

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

Buildings	1 to 2 years

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

(b) Lease liabilities

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

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

The Group's lease liabilities are presented separately in the statement of financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement **(continued)**

Financial assets at fair value through profit or loss

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

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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

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

Impairment of financial assets

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

General approach

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

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

Simplified approach

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement **(continued)**

Financial liabilities at amortised cost

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Interactive advertising services

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

(i) Variable consideration

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

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

(ii) Significant financing component

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) User management SaaS platform business

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

(c) Sale of goods

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

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

Other income

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

Principal versus agent consideration

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

Contract liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value of the shares at the date at which they are granted. The fair value is measured at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period, further details of which are given in note 28 to the financial statements.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

Other employee benefits

Pension scheme

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

Dividends

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details are disclosed in note 25 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Leases – Estimating the incremental borrowing rate

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

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 34 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2020 was RMB13,485,000 (2019: Nil). Further details are included in note 20 to the financial statements.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due that have similar loss patterns.

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Useful lives and residual values of property, plant and equipment

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

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

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

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

	2020	2019
	RMB'000	RMB'000
Customer 1	**275,639**	188,015
Customer 2	**132,528**	237,602
Customer 3	**127,479**	310,531
Customer 4	**N/A***	255,754
Customer 5	**N/A***	173,950

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers		
Interactive advertising business	990,061	1,617,843
User management SaaS platform business	80,670	33,655
Others	132	138
	1,070,863	1,651,636

Revenue from contracts with customers

(i) Disaggregated revenue information

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

	2020	2019
	RMB'000	RMB'000
Timing of revenue recognition		
Over time		
– SaaS services included in user management SaaS platform business	47,987	25,588
At a point in time		
– Interactive advertising business	990,061	1,617,843
– Other services included in user management SaaS platform business	32,683	8,067
– Others	132	138
	1,022,876	1,626,048
	1,070,863	1,651,636

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) ***Disaggregated revenue information*** **(continued)**

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
User management SaaS platform business	18,626	5,826
Interactive advertising business	1,829	14,831
	20,455	20,657

(ii) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

Interactive advertising services

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

User management SaaS platform business

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

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

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

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2020	2019
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year		
– Volume rebate	**18,554**	1,829
– Deferred revenue	**37,281**	18,626
	55,835	20,455

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

Other income and gains		
Bank interest income	**1,607**	3,111
Government grants*	**9,740**	7,566
Investment income from financial assets at fair value through profit or loss	**19,902**	19,172
Changes in fair value of financial assets at fair value through profit or loss	**–**	1,586
Foreign exchange gain, net	**18,561**	–
Gain on disposal of items of property, plant and equipment	**198**	–
Others	**865**	507
	50,873	31,942

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

6. LOSS BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Cost of inventories sold		**26,468**	6,232
Cost of services provided		**820,065**	1,077,906
Depreciation of property, plant and equipment	14	**3,277**	5,026
Depreciation of right-of-use assets	16(a)	**5,754**	6,194
Amortisation of intangible assets*	15	**322**	305
Bank interest income	5	**(1,607)**	(3,111)
Foreign exchange (gain)/loss, net	5	**(18,561)**	4,445
(Gain)/loss on disposal of items of property, plant and equipment	5	**(198)**	121
Impairment of trade receivables, net	18	**103**	44
Changes in fair value of financial assets at fair value through profit or loss		**7,636**	(1,586)
Investment income from financial assets at fair value through profit or loss		**(19,902)**	(19,172)
Research and development costs		**129,506**	106,623
Lease payments not included in the measurement of lease liabilities	16(c)	**473**	928
Auditor's remuneration		**2,480**	2,480
Listing expenses		**–**	35,226
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**168,765**	138,293
Equity-settled share award expense		**32,756**	27,877
Pension scheme contributions		**5,095**	8,907
Staff welfare expense		**29,650**	33,585
		236,266	208,662

* The amortisation of intangible assets for the year is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

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

	2020	2019
	RMB'000	RMB'000
Changes in fair value	**–**	475,790

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	RMB'000	RMB'000
Interest on lease liabilities	**261**	244

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Group	
	2020	2019
	RMB'000	RMB'000
Fees	**622**	317
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**2,731**	1,578
Equity-settled share award and option expense	**5,682**	892
Pension scheme contributions	**88**	117
	8,501	2,587
	9,123	2,904

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

During the year and in prior years, certain directors were granted shares and options, in respect of their services to the Group, under the share award and option scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such shares and options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

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

	2020	2019
	RMB'000	RMB'000
Mr. Kam Wai Man	**202**	107
Dr. Ou-Yang hui	**300**	150
Dr. Gao Fuping	**120**	60
	622	317

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

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

(b) Executive directors, non-executive directors and the chief executive

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award and option expense	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
2020				
Executive directors:				
Mr. Chen Xiaoliang*	359	18	–	377
Mr. Cheng Peng***	581	18	440	1,039
Mr. Zhu Jiangbo	360	18	186	564
Ms. Chen Ting	293	16	1,801	2,110
Mr. Chen Xiuyi***	1,120	15	3,255	4,390
Mr. Xu Hengfei**	18	3	–	21
	2,731	88	5,682	8,501
Non-executive directors:				
Mr. Huang Tao	–	–	–	–
Mr. William Peng**	–	–	–	–
	–	–	–	–

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

(b) Executive directors, non-executive directors and the chief executive (continued)

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award and option expense	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
2019				
Executive directors:				
Mr. Chen Xiaoliang*	324	28	–	352
Mr. Fang Hua	270	28	–	298
Mr. Zhu Jiangbo	623	28	610	1,261
Ms. Chen Ting	44	5	282	331
Mr. Xu Hengfei	317	28	–	345
	1,578	117	892	2,587
Non-executive directors:				
Mr. Huang Tao	–	–	–	–
Mr. William Peng**	–	–	–	–
	–	–	–	–

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

** Mr. Xu Hengfei resigned as an executive director on 2 March 2020. Mr. William Peng resigned as a non-executive director on 23 October 2020.

*** Mr. Cheng Peng was appointed as an executive director on 2 March 2020. Mr. Chen Xiuyi was appointed as an executive director on 23 October 2020.

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2019: one director), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining four (2019: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020	2019
	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	2,738	2,948
Pension scheme contributions	72	112
Equity-settled share award and option expense	8,215	3,097
	11,025	6,157

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

	Number of employees 2020	2019
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	1
HK$1,500,001 to HK$2,000,000	–	2
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	2	–
HK$3,000,001 to HK$3,500,000	1	–
HK$3,500,001 to HK$4,000,000	1	–
	4	4

During the year and in prior years, shares and options were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such shares and options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2019:16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the relevant income tax law, the PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential tax rates.

HZ Duiba and HZ Tuia are certified as Software Enterprises and are exempted from income tax for two years starting from the first year in which they generate taxable profit, followed by a 50% reduction for the next three years. HZ Duiba and HZ Tuia were subject to a preferential income tax rate of 12.5% (2019: 12.5%) during the year.

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

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

HZ Duia is certified as High-tech Enterprise and was subject to a preferential income tax rate of 15% (2019: 25%) during the year.

11. INCOME TAX (continued)

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

	2020	2019
	RMB'000	RMB'000
Charge for the year	–	–
Deferred tax (note 25)	(6,894)	(9,562)
Total tax credit for the year	(6,894)	(9,562)

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

	2020	2019
	RMB'000	RMB'000
Loss before tax	(70,460)	(209,366)
Tax at the tax rate of 25%	(17,615)	(52,342)
Effect of tax rate differences in other jurisdictions	(457)	125,843
Effect of preferential lower tax rates entitled	(8,247)	(85,826)
Additional deduction allowance for research and development costs	(10,764)	(9,404)
Expenses not deductible for tax	19,734	8,158
Effect on different of tax rate between current tax and deferred tax	(3,927)	(4,892)
Tax losses not recognised	16,446	8,901
Income not subject to tax	(2,064)	–
Tax credit at the Group's effective rate	(6,894)	(9,562)

12. DIVIDENDS

	2020	2019
	RMB'000	RMB'000
Interim – Nil (2019: RMB9.0 cents) per ordinary share	–	99,126

The board of directors did not recommend the payment of any final dividend for the year ended 31 December 2020.

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year. The number of shares for the years ended 31 December 2020 and 2019 have been arrived at after eliminating the shares of the Company held under the restricted stock unit and shares repurchased.

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

	2020	2019
	RMB'000	RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent	**(63,566)**	(199,804)

	Number of shares	
	2020	2019
Shares		
Weighted average number of shares in issue during the year	**1,048,370,770**	911,362,139

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the impact of the restricted stock unit, restricted stock unit option and preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2020				
At 1 January 2020:				
Cost	5,567	6,710	1,022	13,299
Accumulated depreciation	(4,371)	(3,469)	(221)	(8,061)
Net carrying amount	1,196	3,241	801	5,238
At 1 January 2020, net of accumulated depreciation	1,196	3,241	801	5,238
Additions	166	5,505	697	6,368
Disposals	–	(153)	–	(153)
Depreciation provided during the year	(1,226)	(1,791)	(260)	(3,277)
At 31 December 2020, net of accumulated depreciation	136	6,802	1,238	8,176
At 31 December 2020:				
Cost	5,733	11,434	1,719	18,886
Accumulated depreciation	(5,597)	(4,632)	(481)	(10,710)
Net carrying amount	136	6,802	1,238	8,176

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

15. INTANGIBLE ASSETS

	Software
	RMB'000
31 December 2020	
At 1 January 2020:	
Cost	**1,089**
Accumulated amortisation	**(410)**
Net carrying amount	**679**
Additions	**158**
Amortisation provided during the year	**(322)**
At 31 December 2020	**515**
At 31 December 2020:	
Cost	**1,247**
Accumulated amortisation	**(732)**
Net carrying amount	**515**

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

16. LEASES

The Group as a lessee

The Group has lease contracts for buildings used in its operations. Leases of buildings generally have lease terms between 1 and 2 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are no lease contracts that include extension and termination options and variable lease payments.

(a) Right-of-use assets

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

	Buildings
	RMB'000
At 1 January 2019	8,358
Additions	1,330
Depreciation charge	(6,194)
As at 31 December 2019 and 1 January 2020	3,494
Additions	11,293
Depreciation charge	(5,754)
As at 31 December 2020	9,033

16. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2020	2019
	RMB'000	RMB'000
Carrying amount at 1 January	3,433	8,358
New leases	11,293	1,330
Accretion of interest recognised during the year	261	244
Payments	(6,916)	(6,499)
Carrying amount at 31 December	8,071	3,433
Analysed into:		
Current portion	6,042	2,988
Non-current portion	2,029	445

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

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

	2020	2019
	RMB'000	RMB'000
Interest on lease liabilities	261	244
Depreciation charge of right-of-use assets	5,754	6,194
Expenses relating to short-term leases (included in selling and distribution expenses and administrative expenses)	473	928
Total amount recognised in profit or loss	6,488	7,366

(d) The total cash outflow for leases is disclosed in note 30(c) to the financial statements.

17. INVESTMENT IN AN ASSOCIATE

	2020	2019
	RMB'000	RMB'000
Investment in an associate	**18,965**	–

Particulars of the associate are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation/ registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Zhejiang Gushang Intelligent Technology Co., Ltd ("**Gushang Technology**")	Ordinary shares	PRC/Mainland China	19	Project operation

The Group's shareholdings in this associate comprise equity shares held through HZ Keze, a wholly-owned subsidiary of the Company. This associate was set up in May 2020.

Gushang Technology, which is considered a material associate of the Group, is a strategic partner of the Group for the primary purpose of developing the project, which will include constructing buildings and parking lots on a land parcel located in the Hangzhou Zijingang Science and Technology Town. Upon completion of the project, the Gushang Technology will be dissolved and the properties of the Project will be distributed to shareholders. The Group will use the building distributed as its new headquarters. The investment is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Gushang Technology adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

17. INVESTMENT IN AN ASSOCIATE (continued)

	2020
	RMB'000
Current assets	39,651
Non-current assets	90,163
Current liabilities	(30,000)
Net assets	99,814
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	19%
Carrying amount of the investment	18,965
Revenue	–
Loss and total comprehensive loss for the year	(186)

18. TRADE RECEIVABLES

	2020	2019
	RMB'000	RMB'000
Trade receivables	93,303	146,734
Impairment	(251)	(148)
	93,052	146,586

Trade receivables are non-interest-bearing and the credit period is generally 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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

	2020	2019
	RMB'000	RMB'000
0 to 30 days	22,205	128,610
31 to 90 days	31,002	17,972
91 to 180 days	32,753	4
181 to 365 days	7,092	–
	93,052	146,586

18. TRADE RECEIVABLES (continued)

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

	2020	2019
	RMB'000	RMB'000
At beginning of year	**148**	140
Impairment losses, net (note 6)	**103**	44
Amount written off as uncollectible	**–**	(36)
At end of year	**251**	148

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

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

As at 31 December 2020

	Trade receivables ageing			
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Total**
Expected credit loss rate	**0.27%**	**–**	**–**	**0.27%**
Gross carrying amount (RMB'000)	**93,303**	**–**	**–**	**93,303**
Expected credit losses (RMB'000)	**251**	**–**	**–**	**251**

As at 31 December 2019

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

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020	2019
	RMB'000	RMB'000
Deposits and other receivables	25,599	4,377
Loans to third parties	16,000	–
Loans to employees	9,784	–
Prepaid expenses	7,753	1,260
Prepayments	63,032	114,732
Other current assets	13,523	5,392
	135,691	125,761
Less:		
Prepaid expenses, non-current portion	667	893
Loans to employees, non-current portion	1,701	–
Other receivables, non-current portion	663	713
	132,660	124,155

Included in the Group's deposits and other receivables are amount due from the Group's associate of RMB5,000,000 (2019: Nil), which is unsecured, bears interest at an interest rate of 3% per annum and has fixed terms of repayment.

The loans to employees were given by HZ duiba for the purpose of enabling the employees to purchase properties.

Other receivables are non-interest-bearing, unsecured and repayable on demand. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RMB'000	RMB'000
Unlisted equity investment, at fair value	13,485	–
Other unlisted investments, at fair value	1,134,086	1,072,857
	1,147,571	1,072,857

The above unlisted equity investment was classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted investments were financial products issued by banks and licensed financial institutions in Mainland China and Hong Kong with expected interest rates of 3.57% to 9.5% (2019: 2.3% to 9.5%) per annum and maturity period of nil to six months (2019: nil to eighteen months). They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

21. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2020	2019
	RMB'000	RMB'000
Cash and bank balances	135,269	220,779
Restricted cash	20,252	–
	155,521	220,779
Less: Restricted cash	(20,252)	–
Cash and cash equivalents	135,269	220,779
Denominated in RMB	100,030	183,273
Denominated in HK$	2,097	826
Denominated in US$	33,142	36,680
Cash and cash equivalents	135,269	220,779

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

Restricted cash mainly represents bank balances of RMB20,025,000 (2019: Nil) which were frozen pursuant to the relevant rulings and deposits for the performance guarantee of certain contracts of RMB222,000 (2019: Nil).

22. TRADE PAYABLES

	2020	2019
	RMB'000	RMB'000
Trade payables	**89,434**	101,853

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

	2020	2019
	RMB'000	RMB'000
0 to 30 days	**43,851**	63,498
31 to 90 days	**18,308**	14,829
91 to 180 days	**3,757**	12,396
181 to 365 days	**17,271**	6,888
Over 365 days	**6,247**	4,242
	89,434	101,853

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

23. OTHER PAYABLES AND ACCRUALS

	2020	2019
	RMB'000	RMB'000
Advances from customers	**28,499**	11,500
Payroll payable	**93,363**	74,054
Accrued expense	**22,618**	1,680
Other payables	**6,549**	13,130
Taxes payable other than corporate income tax	**848**	8,913
	151,877	109,277

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

24. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2020	2019
	RMB'000	RMB'000
Short-term advances received from customers		
User management SaaS platform business	36,162	14,710
Interactive advertising business	18,554	1,829
Others	1,119	3,916
	55,835	20,455

Contract liabilities include short-term advances received to render services. The increase in contract liabilities in 2020 was mainly due to the increase in short-term advances received from customers in relation to the provision of services at the end of the year.

25. DEFERRED TAX

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

Deferred tax assets

	Accrued expenses	Payroll payable	Loss available for offsetting against future taxable profit	Impairment of trade receivables	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	337	4,039	6,491	10	930	11,807
Deferred tax credited/(charged) to profit or loss during the year (note 11)	(206)	(307)	10,491	8	(537)	9,449
Gross deferred tax assets at 31 December 2019 and 1 January 2020	131	3,732	16,982	18	393	21,256
Deferred tax credited/(charged) to profit or loss during the year (note 11)	(31)	(584)	8,490	3	590	8,468
Gross deferred tax assets at 31 December 2020	100	3,148	25,472	21	983	29,724

25. DEFERRED TAX (continued)

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

Deferred tax liabilities

	Right-of-use assets	Changes in fair value of financial assets at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2019	930	248	1,178
Deferred tax charged/(credited) to profit or loss (note 11)	(527)	414	(113)
Gross deferred tax liabilities at 31 December 2019 and 1 January 2020	403	662	1,065
Deferred tax charged to profit or loss (note 11)	700	874	1,574
Gross deferred tax liabilities at 31 December 2020	1,103	1,536	2,639

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

	2020	2019
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**28,741**	20,863
Net deferred tax liabilities recognised in the consolidated statement of financial position	**1,656**	672

The Group has tax losses arising in Mainland China of RMB176,369,000 (2019: RMB81,488,000) that will expire in one to ten years for offsetting against future taxable profits.

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

25. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

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

At 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, these subsidiaries' fund will be retained in Mainland China for the expansion of these subsidiaries' operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB185,476,000 (2019: RMB259,507,000).

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

26. SHARE CAPITAL AND TREASURY SHARES

Shares

	2020	2019
Authorised:		
5,000,000,000 (2019: 5,000,000,000) ordinary shares of US$0.00001 (2019: US$0.00001) each		
US$	**50,000**	50,000
Issued and fully paid:		
1,077,323,200 (2019: 1,103,662,400) ordinary shares of US$0.00001 (2019: US$0.00001) each		
US$	**10,773**	11,037
RMB	**70,000**	72,000

26. SHARE CAPITAL AND TREASURY SHARES (continued)

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

	Number of shares in issue	Share capital	Treasury shares	Share premium account	Total
		RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	69,040,800	44	–	32,175	32,219
Conversion of preferred shares issued to the then shareholders to ordinary shares (note a)	30,959,200	21	–	1,600,628	1,600,649
Effect of share subdivision (note b)	900,000,000	–	–	–	–
Issuance of shares on 7 May 2019 (note c)	111,111,200	8	–	574,632	574,640
Shares repurchased (note d)	–	–	(138,135)	–	(138,135)
Cancellation of treasury shares (note e)	(7,448,800)	(1)	29,570	(29,569)	–
Interim 2019 dividend declared	–	–	–	(99,126)	(99,126)
	1,103,662,400	72	(108,565)	2,078,740	1,970,247
Shares issue expenses	–	–	–	(26,727)	(26,727)
At 31 December 2019 and 1 January 2020	1,103,662,400	72	(108,565)	2,052,013	1,943,520
Cancellation of treasury shares (note f)	(26,339,200)	(2)	108,565	(108,563)	–
At 31 December 2020	1,077,323,200	70	–	1,943,450	1,943,520

Notes:

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

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

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

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

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

(f) On 9 January 2020, the Company cancelled 26,339,200 shares which were repurchased on the Hong Kong Stock Exchange.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 64 to 65 of the financial statements.

Statutory surplus reserve

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

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

Capital reserve

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

28. SHARE AWARD

Restricted Stock Unit Scheme

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

28. SHARE AWARD (continued)

Restricted Stock Unit Scheme (continued)

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

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

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

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

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

During the year, a share award expense of RMB1,701,000 (2019: RMB4,334,000) was charged to profit or loss.

28. SHARE AWARD (continued)

Restricted Stock Unit Option Incentive Scheme

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

The share options granted during the years ended 31 December 2020 and 2019 are as follows:

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

2020

Date of grant	**Number of options**
1 February 2020	**833,000**
1 March 2020	**4,140,000**
1 April 2020	**2,250,000**
1 May 2020	**150,000**
1 June 2020	**700,000**
1 July 2020	**2,880,000**
1 August 2020	**4,000,000**
1 October 2020	**500,000**
1 November 2020	**250,000**
1 December 2020	**1,800,000**

2019

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

28. SHARE AWARD (continued)

Restricted Stock Unit Option Incentive Scheme (continued)

The share options granted during the years ended 31 December 2020 and 2019 are as follows: (continued)

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

2019

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

(c) The exercise price of the share options is nil. 25% of the share options are exercisable after 12 months from the date of the option incentive agreement; 25% of the share options are exercisable after 24 months from the date of the share option incentive agreement; 25% of the share options are exercisable after 36 months from the date of the option incentive agreement; and 25% of the share options are exercisable after 48 months from the date of the option incentive agreement.

2020

Date of grant	**Number of options**
1 April 2020	**5,000,000**

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

	2020 Weighted average exercise price	**2020** Number of options	2019 Weighted average exercise price	2019 Number of options
	US$	**'000**	US$	'000
At 1 January	**–**	**35,710**	–	1,931
Granted during the year before share subdivision	**–**	**–**	–	516
Exercise during the year before share subdivision	**–**	**–**	–	(34)
Forfeited during the year before share subdivision	**–**	**–**	–	(287)
Effect of share subdivision	**–**	**–**	–	19,134
Granted during the year after share subdivision	**–**	**22,503**	–	18,624
Exercised during the year	**–**	**(5,598)**	–	(1,159)
Forfeited during the year after share subdivision	**–**	**(9,438)**	–	(3,015)
At 31 December	**–**	**43,177**	–	35,710

28. SHARE AWARD (continued)

Restricted Stock Unit Option Incentive Scheme (continued)

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

2020

Number of options	Exercise price per share	Vesting period/exercise period	Fair value per share
'000	US$		US$
1,218	–	2019/05/01 to 2022/05/01	2.92
4,974	–	2019/11/01 to 2022/11/01	2.92
3,990	–	2020/03/01 to 2023/03/01	4.79
4,257	–	2020/07/01 to 2023/07/01	0.60
335	–	2020/09/01 to 2022/09/01	0.57
135	–	2020/10/01 to 2023/10/01	0.59
90	–	2020/10/08 to 2023/10/08	0.59
1,080	–	2020/11/01 to 2023/11/01	0.65
7,245	–	2020/12/01 to 2023/12/01	0.61
833	–	2021/02/01 to 2024/02/01	0.45
3.890	–	2021/03/01 to 2024/03/01	0.46
1,450	–	2021/04/01 to 2024/04/01	0.29
5,000	–	2021/04/01 to 2024/04/01	0.29
150	–	2021/05/01 to 2024/05/01	0.27
700	–	2021/06/01 to 2024/06/01	0.40
2,280	–	2021/07/01 to 2024/07/01	0.41
3,000	–	2021/08/01 to 2024/08/01	0.50
500	–	2021/10/01 to 2024/10/01	0.37
250	–	2021/11/01 to 2024/11/01	0.36
1,800	–	2021/12/01 to 2024/12/01	0.30
43,177			

28. SHARE AWARD (continued)

Restricted Stock Unit Option Incentive Scheme (continued)

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

2019

Number of options	Exercise price per share	Vesting period/exercise period	Fair value per share
'000	US$		US$
2,239	–	2019/05/01 to 2022/05/01	2.92
9,737	–	2019/11/01 to 2022/11/01	2.92
5,160	–	2020/03/01 to 2023/03/01	4.79
6,140	–	2020/07/01 to 2023/07/01	0.60
167	–	2020/09/01 to 2023/09/01	0.57
500	–	2020/09/01 to 2022/09/01	0.57
150	–	2020/10/01 to 2023/10/01	0.59
200	–	2020/10/08 to 2023/10/08	0.59
1,300	–	2020/11/01 to 2023/11/01	0.65
10,117	–	2020/12/01 to 2023/12/01	0.61
35,710			

28. SHARE AWARD (continued)

Restricted Stock Unit Option Incentive Scheme (continued)

The fair value of the share options granted during the year was US$8,704,000 (equivalent to approximately RMB60,876,000) (2019: US$13,751,000 (equivalent to approximately RMB95,319,000)) of which the Group recognised a share option expense of RMB36,737,000 (2019: RMB24,435,000) during the year ended 31 December 2020.

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

	2020	2019
Expected volatility (%)	60.6-66.7	58.8-60.5
Risk-free interest rate (%)	0.6-1.6	1.4-3.7
Expected life of options (years)	10	10
Weighted average share price (US$)	2.06-3.85	0.57-4.79
Forfeiture rate (%)	14.3	18.8

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

Subsequent to the end of the reporting period, on 1 January 2021 and 1 February 2021, 80,000 and 250,000 share options under the Restricted Stock Unit Option Incentive Scheme, respectively, were granted to certain employees of the Company in respect of their services to the Group in the forthcoming year. These share options vest 10%, 30%, 30% and 30% from 1 January 2022 to 1 February 2025 and have nil exercise price. The prices of the Company's shares at the dates of grant were HK$2.50 per share and HK$2.28 per share, respectively.

At the date of approval of these financial statements, the Company had 43,507,000 share options outstanding under the Scheme, which represented approximately 4.0% of the Company's shares in issue as at that date.

29. CONTINGENT LIABILITIES

The Company is currently defending a court case at the High Court of Hong Kong in respect of a claim, which arises from an allegation that the Company had committed the act of conversion against various shares of the Company that were previously owned by the plaintiff but held in the Company's custody. According to the plaintiff's pleaded case, the maximum amount of its claim for damages is approximately HK$61,000,000. The directors, based on the information currently available and having assessed the merits of the case based on advice from the Company's legal counsel, believe that the Company has a number of valid defence arguments against the claim and, accordingly, has not provided for any claim arising from the allegation.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB11,293,000 (2019: RMB1,330,000) and RMB11,293,000 (2019: RMB1,330,000), respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

2020

	Lease liabilities
	RMB'000
At 1 January 2020	3,433
Changes from financing cash flows	(6,655)
New leases	11,293
Interest expense	261
Interest paid classified as operating cash flows	(261)
At 31 December 2020	8,071

2019

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

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

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

	2020	2019
	RMB'000	RMB'000
Within operating activities	734	1,172
Within financing activities	6,655	6,255
	7,389	7,427

31. COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments.

32. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with a related party:

Details of the Group's deposits and other receivables with its associate as at the end of the reporting period are disclosed in note 19 to the financial statements.

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

	2020	2019
	RMB'000	RMB'000
Short term employee benefits	8,839	5,692
Equity-settled share award and option expense	16,329	3,385
Pension scheme contributions	232	272
Total compensation paid to key management personnel	25,400	9,349

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

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

2020

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss — Mandatorily designated as such	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	93,052	–	93,052
Financial assets included in prepayments, other receivables and other assets	64,906	–	64,906
Financial assets at fair value through profit or loss	–	1,147,571	1,147,571
Restricted cash	20,252	–	20,252
Cash and cash equivalents	135,269	–	135,269
	313,479	1,147,571	1,461,050

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000
Trade payables	89,434	89,434
Lease liabilities	8,071	8,071
Financial liabilities included in other payables and accruals	9,029	9,029
	106,534	106,534

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2019

Financial assets

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

Financial liabilities

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

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2020, the fair values of the Group's financial assets and liabilities approximated to their respective carrying amounts.

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

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

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

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

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

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

The fair values of an unlisted equity investment designated at fair value through profit or loss has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The Group has used the Market Approach when applicable to determine the underlying equity value of the Company and adopted the equity allocation model to determine the fair value of an unlisted equity investment as at 31 December 2020. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through profit or loss, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Below is a summary of significant unobservable inputs to the valuation of the financial instrument together with a quantitative sensitivity analysis as at 31 December 2020:

Significant unobservable input

	2020
Time to exit event	4.52 years
Risk-free rate	2.94%
Equity volatility	44.75%
Discount for lack of marketability ("DLOM")	9%

Quantitative sensitivity analysis

	2020 RMB'000
1 year increase in time to exit event	158
1 year decrease in time to exit event	(246)
1% increase in risk-free rate	(405)
1% decrease in risk-free rate	374
1% increase in equity volatility	13
1% decrease in equity volatility	(66)
5% increase in DLOM	702
5% decrease in DLOM	(702)

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss:				
Investments in financial products	301,217	832,869	13,485	1,147,571

As at 31 December 2019

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

The Group did not have any financial liabilities measured at fair value as at 31 December 2020 (2019: Nil).

During the year, there were no transfers of fair value measurements between level 1 and level 2 and no transfers into or out of level 3 for both financial assets and financial liabilities (2019: Nil).

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency risk

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

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

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
2020			
If the RMB weakens against the US$	**5**	**7,294**	**85,643**
If the RMB strengthens against the US$	**(5)**	**(7,294)**	**(85,643)**
2019			
If the RMB weakens against the US$	5	(2,700)	81,803
If the RMB strengthens against the US$	(5)	2,700	(81,803)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	93,303	93,303
Financial assets included in prepayments, other receivables and other assets					
– Normal**	64,906	–	–	–	64,906
Financial assets at fair value through profit or loss	1,147,571	–	–	–	1,147,571
Restricted cash					
– Not yet past due	20,252	–	–	–	20,252
Cash and cash equivalents					
– Not yet past due	135,269	–	–	–	135,269
	1,367,998	–	–	93,303	1,461,301

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging **(continued)**

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	146,734	146,734
Financial assets included in prepayments, other receivables and other assets					
– Normal**	9,769	–	–	–	9,769
Financial assets at fair value through profit or loss	1,072,857	–	–	–	1,072,857
Cash and cash equivalents					
– Not yet past due	220,779	–	–	–	220,779
	1,303,405	–	–	146,734	1,450,139

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the financial statements.

** The credit quality of notes receivable and the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

Since the Group trades mainly with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different regions.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	31 December 2020				
	On demand	Less than 1 month	1 to 12 months	1 to 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	45,904	43,530	–	–	89,434
Financial liabilities included other payables and accruals	9,029	–	–	–	9,029
Lease liabilities	–	28	6,279	2,061	8,368
	54,933	43,558	6,279	2,061	106,831

	31 December 2019				
	On demand	Less than 1 month	1 to 12 months	1 to 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	38,355	63,498	–	–	101,853
Financial liabilities included other payables and accruals	14,810	–	–	–	14,810
Lease liabilities	–	–	3,076	453	3,529
	53,165	63,498	3,076	453	120,192

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes trade payables, other payables and accruals, less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	2020	2019
	RMB'000	RMB'000
Trade payables	**89,434**	101,853
Other payables and accruals	**151,877**	109,277
Less: Cash and cash equivalents	**(135,269)**	(220,779)
Net debt	**106,042**	(9,649)
Total equity	**1,290,392**	1,360,567
Total capital and net debt	**1,396,434**	1,350,918
Gearing ratio	**8%**	N/A

36. EVENTS AFTER THE REPORTING PERIOD

On 1 January 2021 and 1 February 2021, 80,000 and 250,000 share options under the Restricted Stock Unit Option Incentive Scheme, respectively, were granted to certain employees of the Group, further detailed in note 28 to the financial statements.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020	2019
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	79,124	43,501
Total non-current assets	79,124	43,501
CURRENT ASSETS		
Due from subsidiaries	464,465	501,108
Financial assets at fair value through profit or loss	223,125	215,714
Prepayments, other receivables and other assets	186	2,259
Cash and cash equivalents	9,982	33,921
Total current assets	697,758	753,002
CURRENT LIABILITIES		
Trade payable	–	216
Other payables and accruals	422	5,037
Total current liabilities	422	5,253
NET CURRENT ASSETS	697,336	747,749
TOTAL ASSETS LESS CURRENT LIABILITIES	776,460	791,250
Net assets	776,460	791,250
EQUITY		
Share capital	70	72
Treasury shares	–	(108,565)
Other reserves (note)	776,390	899,743
Total equity	776,460	791,250

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account	Capital reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	32,175	(252,530)	(30,683)	(462,054)	(713,092)
Loss for the year	–	–	–	(503,513)	(503,513)
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	–	–	53,009	–	53,009
Total comprehensive income/(loss) for the year	–	–	53,009	(503,513)	(450,504)
Equity-settled share award and option arrangements	–	43,501	–	–	43,501
Issue of shares for the initial public offering	574,632	–	–	–	574,632
Share issue expenses	(26,727)	–	–	–	(26,727)
Cancellation of treasury shares	(29,569)	–	–	–	(29,569)
Conversion of preferred shares issued to the than shareholders to ordinary shares	1,600,628	–	–	–	1,600,628
Interim 2019 dividend declared	(99,126)	–	–	–	(99,126)
At 31 December 2019 and 1 January 2020	**2,052,013**	**(209,029)**	**22,326**	**(965,567)**	**899,743**
Loss for the year	**–**	**–**	**–**	**(2,159)**	**(2,159)**
Other comprehensive loss for the year:					
Exchange differences on translation of foreign operations	**–**	**–**	**(51,067)**	**–**	**(51,067)**
Total comprehensive loss for the year	**–**	**–**	**(51,067)**	**(2,159)**	**(53,226)**
Cancellation of treasury shares	**(108,565)**	**–**	**–**	**–**	**(108,565)**
Equity-settled share award and option arrangements	**–**	**38,438**	**–**	**–**	**38,438**
At 31 December 2020	**1,943,448**	**(170,591)**	**(28,741)**	**(967,726)**	**776,390**

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2021.

DEFINITIONS

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

"AGM"	the forthcoming annual general meeting of the Company to be held on 27 May 2021
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Auditor"	Ernst & Young, the external auditor of the Company
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Chen's Family Trust"	the Jiayou Trust, a discretionary trust set up by Mr. Chen Xiaoliang and whose beneficiaries are Mr. Chen Xiaoliang and his family members
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Company" or "Duiba"	Duiba Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange under stock code 01753
"CPC"	cost per click
"Director(s)"	the director(s) of the Company
"Group" or "we" or "us"	the Company and our subsidiaries or any of them

"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HZ Duiba"	杭州兑吧網絡科技有限公司 (Hangzhou Duiba Internet Technology Company Limited), a company with limited liability established in the PRC on 13 May 2011 and a wholly-owned subsidiary of the Company
"HZ Tuia"	杭州推啊網絡科技有限公司 (Hangzhou Tuia Internet Technology Company Limited), a company with limited liability established in the PRC on 22 September 2016, and a wholly-owned subsidiary of the Company
"Listing Date"	7 May 2019, being the date on which the Shares became listed and commenced trading on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Net Proceeds"	the net proceeds of approximately HK$569.5 million from the global offering of the Shares, after deducting professional fees, underwriting commissions and other related listing expenses
"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company dated 24 April 2019
"Reporting Period"	the year ended 31 December 2020
"RMB"	Renminbi yuan, the lawful currency of the PRC

"SaaS"	software as a service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
"Share(s)"	ordinary share(s) of the Company with nominal value of US$0.00001 each in the share capital of the Company
"Share Option Scheme"	the post-IPO share option scheme approved and adopted by the Board on 17 April 2019
"Shareholders"	holders of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"XL Holding"	Xiaoliang Holding Limited, a company with limited liability incorporated in the BVI on 26 February 2018, and wholly owned by Blissful Plus Enterprises Limited, a company controlled by the Chen's Family Trust for the benefit of Mr. Chen Xiaoliang and of his family members