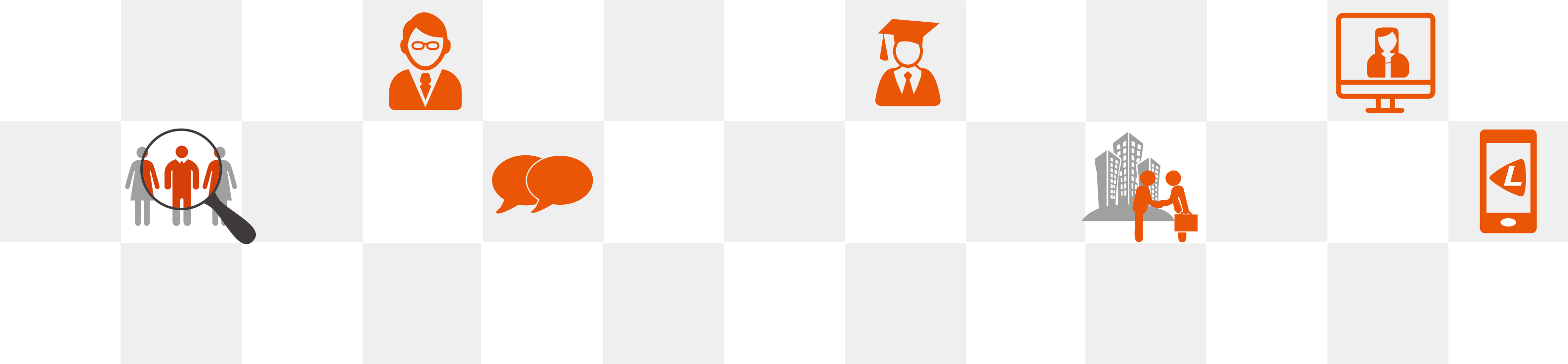


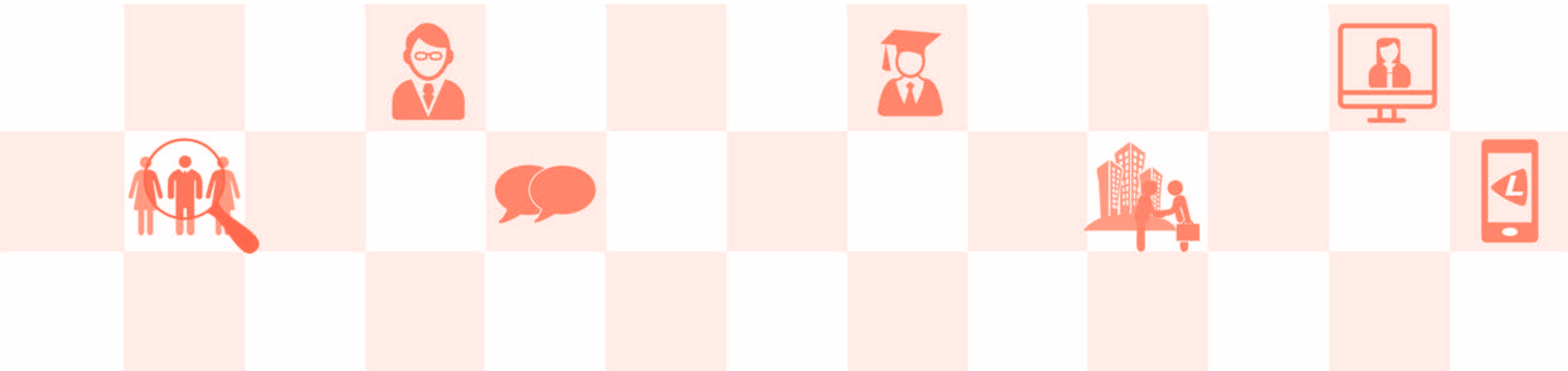
猎聘 Liepin

Wise Talent Information Technology Co., Ltd

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6100

ANNUAL REPORT 2018



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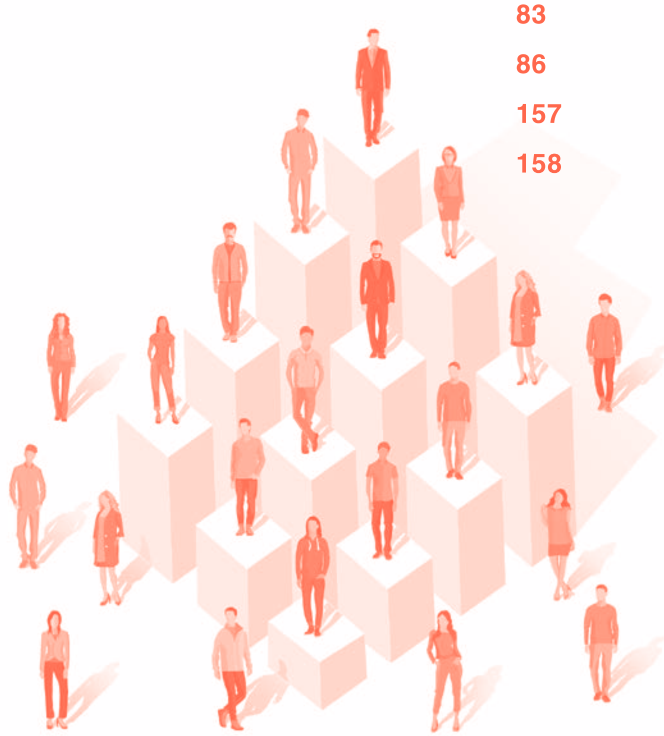


DEFINITIONS

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

"AI"	artificial intelligence
"Audit Committee"	the audit committee of our Company
"Average annual salary of registered individual users"	the average annual salary of all registered individual users who have provided to the Company with their salary information, which accounted for a substantial majority of all registered individual users
"Big Data"	big data
"Board"	the board of directors of our Company
"Business customers"	verified business users that have existing contracts with us as of a given date, excluding business customers with trial subscription
"CAGR"	compound annual growth rate
"Company", "our Company", or "the Company"	Wise Talent Information Technology Co., Ltd (Stock code: 6100), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 30 January 2018, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"Consolidated Affiliated Entities"	Wisest, TD Elite and Liedao and their respective subsidiaries and branches, the financial accounts of which have been consolidated and accounted for as if they were wholly-owned subsidiaries of our Company by virtue of the Contractual Arrangements.
"Contractual Arrangements"	the series of contractual arrangements entered into by Tiancai Youdao with Wisest, TD Elite and Liedao and their respective relevant shareholders
"Director(s)"	the director(s) of our Company
"Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries from time to time
"Headhunter-assisted, closed-loop talent acquisition services"	end-to-end talent acquisition services that are delivered on an one-stop integrated platform, facilitated by headhunters, to business customers
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"ICP License"	Value-added Telecommunications Services Operating Permit for Internet information services

"Individual paying users"	the individual users that have previously subscribed for the Company's premium membership services or CV advisory services at least once as of a given date
"Job postings"	active and open positions posted by our verified business users and verified headhunters on our online platform, excluding those that have been removed upon the completion of the hiring process or due to being more than 90 days old
"Liedao"	Liedao Information Technology Co., Ltd. (獵道信息技術有限公司), a LLC established in Tianjin, the PRC on 25 April 2014, one of our Consolidated Affiliated Entities by virtue of the Contractual Arrangements
"Listing Date"	29 June 2018, being the date on which the shares of the Company were listed on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"LLC"	limited liability company
"Mid- to high-end talents"	individual job candidates with an average annual salary of at least RMB100,000
"Nomination Committee"	the nomination committee of our Company
"Number of CVs"	number of professional profiles of registered individual users presented to business customers that typically include at least the name, gender, age, location, contact number, current employer, title, salary and industry of such registered individual users
"Percentage of total number of job postings with an average annual salary of at least RMB100,000"	the number that equals to the total number of job postings with an average annual salary of at least RMB100,000 as of a given date, divided by the total number of job postings as of the same date
"PRC"	the People's Republic of China
"Pre-IPO Investors"	the holders of the convertible preferred shares, who have subscribed for the convertible preferred shares as part of the Reorganization to reflect their previous investments in Wisest at the level of our Company
"Prospectus"	the prospectus of the Company, dated 19 June 2018, in relation to its global offering
"R&D"	research and development
"Registered individual users"	the individual users that have completed all required registration and verification procedures to the Company's satisfaction, which include both individual paying users and individual non-paying users as of a given date

"Remuneration Committee"	the remuneration committee of our Company
"Reorganization"	the reorganization arrangements undertaken by the Group in preparation for the listing of the shares of the Company on the Main Board of the Hong Kong Stock Exchange
"Reorganization Framework Agreement"	the reorganization framework agreement dated 27 March 2018 entered into between, among others, the Company, TD Elite (HK) Information Technology Co., Limited, Wisest, TD Elite and the registered shareholders of the Company and Wisest in relation to the Reorganization
"Reporting Period"	the year ended 31 December 2018
"SaaS"	software-as-a-solution, which refers to the Company's talent services delivery model where the Company hosts a range of proprietary software solutions and provide them to the Company's registered individual users, verified business users and verified headhunters over the internet
"Talent services"	talent acquisition services and professional career services provided to business users and individual users, as the case may be
"TD Elite"	TD Elite (Tianjin) Information Technology Co., Limited (同道精英(天津)信息技術有限公司), a LLC established in Tianjin, the PRC on 27 July 2015, one of our Consolidated Affiliated Entities by virtue of the Contractual Arrangements
"Tiancai Youdao"	Tiancai Youdao (Tianjin) Information Technology Co., Limited (天才有道(天津)信息技術有限公司), a LLC established in the PRC on 26 April 2018
"Total number of contacts with individual users by our verified headhunters"	the total number of contacts with individual users by the Company's verified headhunters through phone calls and messages, as of a given date
"Verified business users"	all business users that have completed all required registration and verification procedures to the Company's satisfaction, which include both business customers and non-paying business users who do not have active contracts with the Company as of a given date
"Verified headhunters"	the headhunters that have completed all required registration and verification procedures to our satisfaction
"Wisest"	Wisest (Beijing) Management Consulting Co., Ltd. (萬仕道(北京)管理諮詢股份有限公司), a LLC established in the Zhongguancun Science Park (中關村國家自主創新示範區), Beijing, the PRC on 7 September 2006, one of our Consolidated Affiliated Entities by virtue of the Contractual Arrangements

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 402, 4/F Fairmont Hse.
No. 8 Cotton Tree Drive
Admiralty, Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISER TO HONG KONG LAW

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

COMPLIANCE ADVISOR

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

PRINCIPAL BANK

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

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Mr. Dai Kebin
Ms. Fung Wai Sum

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

STOCK CODE

6100

AUDITOR

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

COMPANY WEBSITE

www.liepin.com

FINANCIAL HIGHLIGHTS

In 2018, the operations and business of the Group has achieved the following growth when compared with those of 2017:

- Revenue including revenue from providing talent acquisition services to our business customers, providing professional career services and directing individual user traffic to certain internet service providers was RMB1,225.3 million in 2018, a 48.6% increase from RMB824.7 million in 2017.

- Gross profit was RMB987.7 million in 2018, a 42.5% increase from RMB693.0 million in 2017.

- Net profit was RMB2.7 million in 2018, compared to a net profit of RMB7.6 million in 2017.

- Net profit attributable to the owners of the Company was RMB7.7 million in 2018, compared to RMB9.0 million in 2017.

- Non-GAAP profit attributable to equity owners of the Company (excluding share-based compensation expenses and one-time listing expenses) was RMB103.3 million in 2018, compared to a non-GAAP profit attributable to equity owners of the Company (excluding share-based compensation expenses) of RMB18.1 million in 2017.

- The Board does not recommend the payment of final dividend for the year ended 31 December 2018.

Dear shareholders,

I am pleased to present our 2018 annual report on behalf of our Board and management.

2018 was a monumental year for us. We experienced rapid growth in the first half of the year while hitting our annual growth targets in the second half despite the macro-economic downturn and other challenges. For the year ended 31 December 2018, we recorded revenue and gross profit of RMB1,225.3 million and RMB987.7 million, respectively, representing increases of 48.6% and 42.5% from 2017. Net profit for 2018 amounted to RMB2.7 million, as compared to RMB7.6 million for 2017. Non-GAAP profit attributable to the equity shareholders (excluding share-based compensation expenses and one-time listing expenses) increased to RMB103.3 million from RMB18.1 million last year. Our net operating cash flows also grew from RMB191.0 million for 2017 to RMB203.8 million for 2018. These results demonstrated our operating leverage with significant improvement in operational efficiency and profitability.

As an internet technology company, we focus on continuously innovating our products and services to improve operating performance. During 2018, we implemented a series of technology and product upgrades, which connected more job seekers with their dream jobs, helped more businesses and headhunters acquire talents more effectively and allowed recruiters to access our products more conveniently. For example, we upgraded the closed-loop services provided by *Interview Express* (面試快), and launched a new version of *Onboarding Express* (入職快) in 2018. These new features allow our business customers to fully enjoy our closed-loop services via our *Liepintong* (獵聘通) platform, from online job posting to accessing offline services provided by headhunters, from CV search to arranging interviews and onboarding candidates. In the second half of 2018, more business customers had shifted from using offline headhunters to online talent acquisition services such as *Onboarding Express* (入職快). We gained highly valuable and insightful transaction data which further improved our matching AI capabilities.

As a result of our relentless efforts to optimize our products and services, the number of our registered individual users rose from 38.9 million as at 31 December 2017 to 46.9 million as at 31 December 2018, while the number of verified business users increased from 248,600 as at 31 December 2017 to 338,658 as at 31 December 2018. The number of job postings on our online platform also grew from 2.5 million as at 31 December 2017 to 3.9 million as at 31 December 2018. The number of our verified headhunters increased from 101,840 as at 31 December 2017 to 137,031 as at 31 December 2018.

To foster the ecosystem built around our platform, we have been developing new products to attract more participants in the talent acquisition industry to our platform. In addition to headhunters, background check service providers and talent evaluation service providers, we invited key hiring decision-makers such as department heads and senior management of our business customers to join our platform by rolling out our new product *Direct Recruitment* (直招). This has helped further diversify job postings on our platform and drive direct interactions among our users, creating a stronger network effect. As the ecosystem around our platform continues to grow and evolve, we are able to create more job and networking opportunities for individual job seekers, while offering greater value propositions to our business customers by further improving their hiring efficiency. Just as we value our business customers, we strive to better serve our individual users. In 2018, our user base and their engagement continued to grow. Leveraging our massive, growing talent database, we continued to innovate our talent matching technology. Our online career assessment service launched in 2017 was well received by individual users with various professional backgrounds. This new service also allowed us to amass multi-dimensional user data to improve our talent matching efficiency. Meanwhile, we launched and upgraded our *Career Advisory Services* (生涯諮詢) in 2018 and engaged more professional advisors to provide personalized career coaching, CV advisory, interview training and other professional advisory services. Such career services further drive our user engagement, enhance the network effect of our users, and lead to strong and sustainable revenue contributions to our platform.

Since our inception, technology has been elevating our creativity and expanding our ability to create values for our users. In 2019, we will continue focusing on product innovations to attract more talents and empower more businesses and headhunters. We will step up our R&D efforts to provide better AI-driven job recommendations to individual users. We will also continue to enhance the operating efficiency of our sales and service team powered by AI technologies, while diversifying our service offerings by introducing new services such as corporate training and payroll management services.

Dear shareholders, our strategic development is driven by our mission to "help every talent achieve greater career success." Also, it has been exciting and encouraging to witness how fast and remarkably talents transforms and drives China's economic growth. As the leading talent service platform in China, we believe we are in the best position to capitalize on China's growing talent economy in the long-run.

Throughout the years, I am grateful for the great honor of working with our 3,454 employees and all of our business partners who have been constantly pushing us to make us who we are today. On behalf of everyone at *Liepin* (獵聘), I thank you for your continued support and assure you that we will continue to make a positive impact on China's talent industry.

Yours faithfully,
Dai Kebin
Chairman

28 March 2019

MARKET REVIEW

The PRC Human Resource Services Market

In 2018, the PRC human resource services market has continued to benefit from the abundant and increasing budget of businesses for human resources services, their increasing willingness to increase spending on high-quality customized services, as well as continued government policy and financial support. Benefiting from the ongoing talent upgrade and economic transformation in China, the application of AI technology and Big Data analytics which allowed talent acquisition service providers to deliver more accurate and efficient matching results and more personalized services, and the growing talent pool of mid- to high-end job candidates, the size of mid- to high-end talent acquisition service market is expected to notably expand.

We are the leading player in the mid- to high-end talent acquisition services market, which stood at RMB97 billion in 2017, growing at 20.3% CAGR to become a RMB243 billion market in 2022 according to the China Insights Consultancy Limited ("**CIC**") report.

We are also aiming to expand into the broader human resource services market. It is a RMB343 billion market in 2017 and will become RMB842 billion with 19.7% CAGR by 2022 according to the CIC report.

The PRC Professional Career Services Market

The PRC professional career services market in China mainly addresses professionals' increasing demand for career development and advancement. This market primarily encompasses career coaching, CV advisory services, professional skill training and other related career services but does not include degree- and certificate-oriented training. The PRC professional career service market size in 2017 was RMB47 billion, and it will grow at a higher CAGR of 33.7% to become RMB201 billion by 2022 according to the CIC report.

BUSINESS REVIEW

As a pioneer of online talent acquisition services platform in China, we achieved a strong growth in 2018. In 2018, our revenue and gross profit amounted to RMB1,225.3 million and RMB987.7 million, respectively, representing an increase of 48.6% and 42.5%, respectively, compared to 2017. Set forth below is a summary of major developments of our business in 2018:

Continued Development and Expansion of Our Platforms

We operate the leading talent service platform in China focused on mid- to high-end talents in terms of total revenue in 2018 where we host a full range of proprietary online platform and SaaS solutions and provide online products and services to our registered individual users, verified business users and verified headhunters. Through our mobile app, website and branded WeChat official accounts, we offer a comprehensive range of talent services to individual users to find better career opportunities and verified business users and headhunters to source talents more effectively. During 2018, we have launched a series of product innovations, including our new product *Direct Recruitment* (直招) and *Onboarding Express* (入職快), etc.

We have been continuously leveraging headhunters and other ecosystem partners to offer customized, and closed-loop services, catering the needs of our business customers and individual users. Our headhunter-assisted, closed-loop talent acquisition services such as *Interview Express* (面試快) and *Onboarding Express* (入職快) are the real breakthrough from traditional offline recruiting services industry. These products enable our business customers to request talent acquisition services online and obtain customized hiring services at different hiring milestones such as interview or onboarding from AI-selected headhunters with result-driven fee structures. Business customers can identify suitable candidates at a much faster pace and complete payment process online. Business customers also have the visibility of the entire hiring process, and the real time data accumulated through the closed-loop services can optimize our algorithm to further enhance the match between job opportunities and candidates. During 2018, the growth of our momentum for headhunter assisted closed-loop talent acquisition services, primarily *Interview Express* (面試快) and *Onboarding Express* (入職快) was significant.

Expansion of Talent Pool

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

The number of registered individual users increased from 38.9 million as of 31 December 2017, with an average annual salary of RMB144,286 to 46.9 million as of 31 December 2018, with an average annual salary of RMB168,341.

Our traffic reached record high in November 2018. We observe a strong level of activeness among our individual users and the level of engagement of our registered individual users continues to grow. We continue to offer products and services for free to our registered individual users, including the creation of professional profiles with customized privacy setting on our platforms, personalized job and headhunter recommendations provided with our Big Data and AI technology, as well as social network and career content services provided through our *Liepin* (獵聘) mobile app. During 2018, we have also added certain new features to our free basic services to enhance user experiences, including personality assessment and self-evaluation, interview invitation and online video interview.

We offered paid value-added services to our individual users who require from us career services in addition to the aforesaid free basic services. We offered premium membership packages under different pricing plans for which individual users can subscribe on a monthly, quarterly, semi-annually and annual basis to access to a variety of enhanced functions and tools (e.g. top placement of their professional profiles and group messaging to a large number of headhunters and business HRs). We also offer CV advisory services tailored to the different needs of individual paying users based on the length of their work experience by leveraging over 1,600 third-party professional advisors. During 2018, we have commenced providing two new paid value-added services: *Career Advisory Services* (生涯諮詢) which helps individuals to clarify career development questions, conduct career positioning and achieve better career development, and *Professional Skills Training* (面試教練) which provides one-on-one interview coaching and mock interviews and helps talents to practise interview skills and improve interview passing rate. By leveraging our ecosystem partners, we were able to provide such personalized career services at affordable prices and at large scale to help our individual users to pursue their ideal jobs. These newly launched value-added services were well received by users in 2018. We generated RMB60.5 million of revenue from individual users for the year ended 31 December 2018 (compared with RMB27.2 million in 2017).

Leveraging on our talent networks and AI technology, we have mapped out a comprehensive and expanding talent graph and accumulated data insights that are difficult to replicate. Our talent database accumulates a vast and growing amount of rich, up-to-date and relevant information of job candidates. Such information reflects individual users' profiles, behaviors and social interactions, mutual endorsement, variation and transactions. The networking and social functions of our online professional community enable us to capture users' behavioral data. We collected and analyzed user-generated data to model and predict user intentions and behaviors. Not only we functioned as a massive transaction platform facilitating hiring transactions, but also generated proprietary transactional data to help us enhancing our service quality.

Growth of Talent Acquisition Services to Business Users

Talent acquisition services to business users continued to be our major source of revenue. For the year ended 31 December 2018, we generated revenue of RMB1,162.6 million (compared with RMB795.8 million generated during the same period in 2017) from this business segment. *Liepintong* (獵聘通) remained our primary platform through which we offered a wide range of basic and advanced talent solutions via personal computers or mobile app to our verified business users in 2018. We continued to provide free basic talent solutions and tools including job posting services on *Liepintong* (獵聘通), CV search, recommendation and management services, a SaaS-based solution of HR internal synergy tools, and Enterprise Station services. The number of our verified business users increased from 248,600 as of 31 December 2017 to 338,658 as of 31 December 2018. The number of job postings on our online platform also grew from 2.5 million as of 31 December 2017 to 3.9 million as of 31 December 2018.

In addition to our basic talent acquisition services, we offer customized subscription packages for business customers to access advanced talent acquisition services to further optimize their recruitment efficiency. Pricings of our subscription packages are determined based on the talent acquisition services selected by our business customers as well as our relationships with such business customers, which typically range from RMB10,000 to RMB40,000 per package and generally have a term of 12 months. These tools include our 360-degree CV review and downloading services, *Express Hiring 2.0* (急聘2.0), invitations to apply for jobs, intent communication with job candidates, salary reports and background checks.

Business customers can also elect to purchase our headhunter-assisted, closed-loop talent acquisition services, primarily *Interview Express* (面試快), *Onboarding Express* (入職快) and *Recruiting Process Outsourcing (3.0)* (招聘流程外包(3.0)), for which they will pay us a fixed fee upon the completion of certain milestones based on the offered annual salary of a particular job. The number of new hiring that our business customers launched via *Interview Express* (面試快) and *Onboarding Express* (入職快) increased to 126,100 as of 31 December 2018 from 89,358 for the same period in 2017.

By leveraging various types of closed-loop talent acquisition transactions, we collected highly valuable and insightful transaction data altogether with our comprehensive and expanding talent graph. Benefiting from the insights of these valuable data, our technology and Big Data team continued to improve matching algorithm to further enhance our service quality and matching efficiency between job opportunities and candidates. In 2018, more than 70% of candidates' job applications were matched with job opportunities with the assistance of our AI matching technology before referral of job opportunities to our individual users.

Strengthened Partnership with Headhunters

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

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

In 2018, we have implemented the following enhancements to *Chenglietong* (誠獵通): intelligence recommendation to headhunters and *Onboarding Express* (入職快) rating system whereby headhunters and HRs can rate each other's response rate, service quality and success ratio to further improve the capabilities of the AI-selected headhunters.

The number of our verified headhunters increased from 101,840 as of 31 December 2017 to 137,031 as of 31 December 2018. The total number of contacts with registered individual users by our verified headhunters also increased from 482.1 million to 729.0 million over the same period. This represents an average of 16 contacts per registered individual user every year from our verified headhunters in 2018. Headhunters significantly boost up the level of activity and engagement of registered individual user.

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

	As of 31 December	
	2018	2017
Individual Users		
Number of registered individual users (in millions)	**46.9**	38.9
Number of individual paying users	**178,901**	89,606
Average annual salary of registered individual users (in RMB)	**168,341**	144,286
Number of CVs (in millions)	**46.9**	38.9
Business Users and Customers		
Number of verified business users	**338,658**	248,600
Number of business customers	**48,230**	39,887
Number of job postings (in millions)	**3.9**	2.5
Headhunters		
Number of verified headhunters	**137,031**	101,840
Number of contacts with registered individual users by our verified headhunters (in millions)	**729.0**	482.1

FUTURE OUTLOOK AND STRATEGIES

Despite the market turbulence and uncertainties in light of certain macroeconomic factors such as slowdown of China GDP growth, the US-China trade war, we are generally optimistic about the long-term prospect of the PRC human resources industry as well as our business while remaining cautious of any risk of short-term fluctuations of business confidence in economic growth which might ultimately affect employers' hiring sentiments and, hence, their budgets on procuring talent acquisition services.

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

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

We will continue to focus on our strategies on mid- to high-end segment in order to grow talent base and strengthen user experiences and bring more ecosystem partners to empower our network. We will continue to expand our business customer base and broaden product offerings in talent acquisition services in China through product innovation, AI technology and Big Data analytics capabilities to stay competitive in the market.

FINANCIAL REVIEW

Revenue

Our revenue was RMB1,225.3 million in 2018, a 48.6% increase from RMB824.7 million in 2017, which was primarily due to the growth of talent acquisition services provided to business customers and professional career services provided to individual users. During the period under review, approximately 94.9% of our revenue was generated from providing talent acquisition services to our business customers, primarily in the forms of (1) customized subscription packages that include various talent services charging at various fixed rates, and (2) transaction-based talent acquisition services that charge at a fixed rate based on the offered annual salary of a particular job upon completion of certain hiring milestones. We also generated a small portion of our revenues from (1) providing professional career services, such as premium membership services, career coaching and CV advisory services to our registered individual users, and (2) directing individual user traffic to certain internet service providers. The table below sets forth a breakdown of sources of our revenue for the periods indicated:

	For the year ended 31 December			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Talent acquisition services to business customers	**1,162,605**	**94.9**	795,756	96.5
Professional career services to individual paying users	**60,547**	**4.9**	27,243	3.3
Rental income from investment property	**2,156**	**0.2**	1,663	0.2
Total	**1,225,308**	**100.0**	824,662	100.0

Revenue from talent acquisition services to business customers was RMB1,162.6 million in 2018, a 46.1% increase from RMB795.8 million in 2017 primarily due to the increase in number of business customers and increase in average revenue per user.

Revenue from professional career services to individual paying users was RMB60.5 million in 2018, a 122.2% increase from RMB27.2 million in 2017 primarily due to more product innovation provided to mid- to high-end talents.

Revenue from rental income from investment property was RMB2.2 million in 2018, a 29.6% increase from RMB1.7 million in 2017.

Cost of Revenue

Our cost of revenue primarily comprised service and project expenses, salaries and benefits of our talent acquisition service personnel, and IT infrastructure and maintenance costs. Our cost of revenue was RMB237.7 million in 2018, a 80.5% increase from RMB131.7 million in 2017, primarily driven by an increase in service and project expenses as we continued to scale up our operations. Specifically, the increase in service and project expenses was mainly attributable to (i) higher proportion of *Interview Express* (面試快) and *Onboarding Express* (入職快), which bear higher costs, primarily headhunter-related costs, as compared to other closed-loop talent acquisition services, in our product mix offering, and we notice that due to the slowdown of economy in the second half of 2018, business customers preferred using closed-loop services with performance-based fee structure, and (ii) to a lesser extent, an increase in miscellaneous costs as we carried out more talent acquisition projects for our business customers.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Company's gross profit was RMB987.7 million in 2018, a 42.5% increase from RMB693.0 million in 2017. Gross profit margin decreased to 80.6% in 2018 from 84.0% in 2017 due to higher proportion of *Onboarding Express* (入職快) and *Interview Express* (面試快) , which bears higher costs, primarily headhunter-related costs, as compared to other closed-loop talent acquisition services in our product mix offering.

Sales and Marketing Expenses

Our sales and marketing expenses primarily comprised salaries and benefits (including share-based compensation expenses) for sales, sales support and marketing personnel, advertising and promotion expenses and other expenses associated with our sales and marketing activities. Our sales and marketing expenses were RMB713.1 million in 2018, a 46.3% increase from RMB487.3 million in 2017, which was primarily due to the increase in sales personnel salary and incentives and the increase in advertising and promotion expenses which are in line with the growth of revenue, and also due to the increase in share-based compensation expenses from RMB3.7 million in 2017 to RMB9.4 million in 2018. Our sales and marketing expenses, as a percentage of revenue, decreased from 59.1% in 2017 to 58.2% in 2018, primarily due to improvement on sales and marketing efficiency.

General and Administrative Expenses

Our general and administrative expenses primarily encompassed salaries and benefits (including share-based compensation expenses) for our general and administrative personnel, office expenses (including rental expense) and other operating expenses which include impairment losses for doubtful accounts receivable. Our general and administrative expenses were RMB211.7 million in 2018, a 125.5% increase from RMB93.9 million in 2017, which was primarily due to a one-time listing expenses of RMB47.2 million and an increase in share-based compensation expenses from RMB1.3 million in 2017 to RMB23.7 million in 2018. Our general and administrative expenses, as a percentage of revenue, increased from 11.4% in 2017 to 17.3% in 2018, primarily due to the share-based compensation expenses and the one-time listing expenses.

Research and Development Expenses

Our R&D expenses primarily comprised salaries and benefits (including share-based compensation expenses) for R&D personnel and other R&D related expenses, such as office rental and depreciation of equipment associated with R&D activities. Our R&D expenses were RMB138.4 million in 2018, a 50.6% increase from RMB91.9 million in 2017, which was primarily due to the increase in R&D headcounts and increase in salaries and benefits paid to our R&D personnel including share-based compensation expenses increasing from RMB4.1 million in 2017 to RMB15.2 million in 2018. As a percentage of revenue, our R&D expenses increased from 11.1% in 2017 to 11.3% in 2018, primarily as a result of continuous expansion of our R&D team.

Other Income

Other income primarily comprised income we derived from interest income from bank deposits and government grants. Our other income increased by 355.7% from RMB15.3 million in 2017 to RMB69.9 million in 2018, primarily as a result of the increase in interest income from bank deposits.

(Loss)/Profit from Operations

As a result of the foregoing, our loss from operations was RMB5.7 million in 2018, while there was profit from operations of RMB35.3 million in 2017, which was mainly due to the one-time listing expenses amounting to RMB47.2 million and the share-based compensation expenses in an aggregate amount of RMB48.3 million.

Net Finance Income/(Cost)

Net finance income/(cost) primarily consisted of foreign currency exchange gain/(loss) due to fluctuations of USD against RMB, interest expenses on bank loans, loss on fair value changes of convertible loans and bank charges. Our net finance income/(cost) changed from a net finance cost of RMB27.7 million in 2017 to a net finance income of RMB16.8 million in 2018, primarily as a result of foreign currency exchange gain.

Profit before Tax

As a result of the foregoing, profit before tax was RMB10.2 million in 2018, compared to a profit of RMB7.6 million in 2017.

Income Tax

Income tax expenses were RMB7.4 million in 2018 (2017: nil).

Profit for the Year

Profit for the year was RMB2.7 million in 2018, decreasing from RMB7.6 million in 2017, which was mainly due to the one-time listing expenses amounting to RMB47.2 million.

Non-GAAP Financial Measures

Non-GAAP profit attributable to equity owners of the Company (excluding share-based compensation expenses and one-time listing expenses) was RMB103.3 million in 2018, compared to a non-GAAP profit attributable to equity owners of the Company (excluding share-based compensation expenses) of RMB18.1 million in 2017.

To supplement the consolidated results of the Group prepared in accordance with IFRS, non-GAAP profit has been presented in this annual report. The Company's management believes that the non-GAAP financial measures provide investors with the Group's financial results and useful supplementary information to assess the performance of the Group's strategic operations by excluding the impact of certain non-cash items and one-off expenses. Nevertheless, the use of the non-GAAP financial measures has limitations as an analytical tool. The unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with IFRS. In addition, the non-GAAP financial measures may be defined differently from similar terms used by other companies.

Total Comprehensive Income

As a result of the foregoing, total comprehensive income attributable to the owners of the Company and non-controlling interests was RMB97.4 million in 2018, a 1,190.1% increase from RMB7.6 million in 2017.

LIQUIDITY AND FINANCIAL RESOURCES

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

We had cash and cash equivalents of RMB251.3 million and RMB648.3 million in 2017 and 2018 respectively. Our cash and cash equivalents are held in RMB, HKD and USD. The following table sets forth our cash flows for the periods indicated:

	For the year ended 31 December	
	2018	2017
	(in RMB'000)	
Net cash generated from operating activities	**203,810**	190,978
Net cash used in investing activities	**(2,229,071)**	(9,705)
Net cash generated from/(used in) financing activities	**2,351,703**	(57,325)
Net increase in cash and cash equivalents	**326,442**	123,948
Effect of foreign exchange rate changes	**70,544**	(1,589)
Cash and cash equivalents at the beginning of the Reporting Period	**251,345**	128,986
Cash and cash equivalents at the end of the Reporting Period	**648,331**	251,345

Net Cash Generated from Operating Activities

In 2018, net cash generated from operating activities was RMB203.8 million, compared to RMB191.0 million in 2017, which was mainly attributable to the growth of business and cash advances from business customers.

Net Cash Used in Investing Activities

In 2018, net cash used in investing activities was RMB2,229.1 million, which was mainly attributable to placement of time deposits with bank, compared to RMB9.7 million used in investing activities in 2017.

Net Cash Generated/(Used in) from Financing Activities

In 2018, net cash generated from financing activities was RMB2,351.7 million, mainly attributable to the proceeds from the initial public offering, compared to RMB57.3 million used in financing activities in 2017.

CAPITAL EXPENDITURES AND LONG-TERM INVESTMENTS

Our capital expenditures and long-term investments primarily included payment for property, plant and equipment and intangible assets and payment for purchase of equity securities. The following table sets forth our capital expenditures and long-term investments for the periods indicated:

	For the year ended 31 December	
	2018	2017
	(in RMB'000)	
Payment for property, plant and equipment and intangible assets	**19,384**	5,972
Payment for the purchase of equity securities	**115,326**	—
Total capital expenditures and long-term investments	**134,710**	5,972

Our capital expenditure in 2018 primarily included expenditure for purchases of property, plant and equipment and intangible assets and investment in equity securities. Specifically, in 2018, headquarter building lease improvement of RMB2.2 million was capitalized and we have invested an aggregate of approximately RMB115.3 million in different companies that have technologies or businesses that supplement and benefit our business.

INDEBTEDNESS

We had no bank loans or convertible loans as at 31 December 2018 and 2017.

GEARING RATIO

The gearing ratio (calculated as total bank and other borrowings divided by total assets/capital) of the Company as at 31 December 2018 was nil (31 December 2017: 0.2%).

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

INVENTORIES

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

BORROWINGS AND BONDS

As at 31 December 2018, the Company had no bank loan or other borrowings and nor did the Company issue any bonds.

CONTINGENT LIABILITIES

As of 31 December 2018, we did not have any material contingent liabilities.

FOREIGN EXCHANGE RISK

Our transactions are denominated and settled in its functional currency, RMB. Our subsidiaries and PRC operating entities primarily operate in China and are exposed to foreign exchange risk primarily through deposits at banks which give rise to cash balances that are denominated in foreign currency, i.e. a currency other than the functional currency in which our transactions denominated. The currencies giving rise to this risk are primarily USD. We have not hedged against any fluctuation in foreign currency. Our PRC subsidiaries and PRC operating entities all have RMB as their functional currency.

We had foreign currency exchange loss (both realized and unrealized) of RMB25.7 million in 2017 and gain of RMB19.4 million in 2018, recognized as net finance (cost)/income in the consolidated statement of profit or loss and other comprehensive income. The foreign currency exchange gain in 2018 was mainly attributable to USD appreciation against RMB.

CREDIT RISK

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

Bank deposits are placed with reputable banks and financial institutions.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and to take into account information specific to the customers as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 30 to 60 days from the date of invoice. The Group does not normally obtain collateral from customers.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and hence significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. We did not have significant concentration of debtors as of 31 December 2018.

LIQUIDITY RISK

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

SIGNIFICANT INVESTMENTS HELD

In December 2017, the Group acquired approximately 9.97% of the enlarged registered capital of Unicareer (Shanghai) Education Technology Co., Ltd. ("**Unicareer**") for a total consideration of RMB55.0 million. Unicareer is a PRC company engaging in the business of online and offline career training for students and employees.

In 2018, the Group acquired 14.59% of the enlarged registered capital of MoSeeker Inc. ("**MoSeeker**") for a total consideration of RMB43.2 million. MoSeeker is a company incorporated in the Cayman Islands, which mainly engaged in providing talent search app and relating services.

In October 2018, the Group entered into an investment agreement with, among others, Shanghai Xunhou Human Resources Co., Ltd. ("**Xunhou**"), a PRC company engaging in the business of online career service for undergraduates and fresh graduates, pursuant to which the Group holds approximately 38.90% of the enlarged registered capital for a total consideration of RMB19.4 million of Xunhou.

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

PLEDGE OF ASSETS/CHARGE ON ASSETS

There was no pledge of the Group's assets as at 31 December 2018.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this annual report, the Group did not have any other material acquisition or disposal of subsidiaries or associated companies during the year ended 31 December 2018.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering of the Company were approximately HKD2,804.6 million. HKD200.1 million out of the net proceeds have been utilized as at 31 December 2018 in the manner consistent with that disclosed in the Prospectus under the section headed “Future Plans and Use of Proceeds”.

In 2018, the Group applied the net proceeds for the following purposes:

	Use of proceeds as stated in the Prospectus *(in HKD'000)* (approximate)	Actual use of proceeds in 2018 *(in HKD'000)* (approximate)	Net proceeds unutilized as at 31 December 2018 *(in HKD'000)* (approximate)
40% for enhancement of R&D capabilities and product offerings	1,121,840	64,941	1,056,899
25% for pursue of acquisitions of or investments in assets and business and support our growth strategies	701,150	20,691	680,459
25% for improvement and implementation our sales and marketing initiative to (i) expand our user and customer base and increase spending by our existing customers; and (ii) continued optimization of our online advertising and promotion activities marketing	701,150	96,984	604,166
10% for working capital and general corporate purpose	280,460	17,487	262,973
	2,804,600	200,103	2,604,497

For the unutilized net proceeds in the amount of approximately HKD2,604.5 million as at 31 December 2018, the Company intends to apply them in the same manner and proportion as stated in the Prospectus and proposes to use the unutilized net proceeds in accordance with the expected timeframe disclosed in the Prospectus.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

DIRECTORS

Executive Directors

Mr. Dai Kebin (戴科彬), aged 38, is our executive Director, appointed on 30 January 2018. He is also the Chairman of the Board and the Chief Executive Officer of our Company. He is responsible for the overall strategic planning and business direction of our Group and management of our Company. Prior to joining our Group, Mr. Dai worked as a brand manager in the marketing department in the Great China region of Procter & Gamble Company, a company currently listed on the New York Stock Exchange (stock symbol: PG), from July 2003 to February 2008. Mr. Dai received a bachelor's degree in finance from Sun Yat-sen University in June 2003. Mr. Dai currently holds directorships in the following principal subsidiaries of our Group: Wisest, TD Elite and Liedao.

Mr. Chen Xingmao (陳興茂), aged 42, is our executive Director, appointed on 23 March 2018. He is also the Chief Technology Officer of the Company. He is responsible for overseeing our product research and development and developing strategies for the technological advancement of our Group. Prior to joining our Group, Mr. Chen worked at Xiamen Dongnan Longtop Technologies Limited from December 2005 to September 2006. Mr. Chen received a bachelor's degree in marine chemistry and a master's degree in environmental science from Ocean University of China (formerly known as Ocean University of Qingdao) in July 1999 and June 2002, respectively. Mr. Chen currently holds directorships in the following principal subsidiaries of our Group: Wisest and Liedao.

Ms. Xu Lili (徐黎黎), aged 37, is our executive Director, appointed on 23 March 2018. She is also the Chief Financial Officer of our Company. She is responsible for overseeing the corporate finance of our Group, handling investor relationships, and overseeing all the investments and acquisitions of our Group. Prior to joining our Group, Ms. Xu held various positions at General Electric Company, a company currently listed on the New York Stock Exchange (stock symbol: GE), including as the chief financial officer of GE Power Generation Services China, from January 2005 to March 2014. Ms. Xu received a bachelor's degree in international business from Nanjing University in June 2003 and a master of science degree in local economic development from the London School of Economics and Political Science in November 2004. Ms. Xu is a public accountant certified by the Board of Accountancy of Washington State of the United States.

Non-executive Directors

Mr. Shao Yibo (邵亦波), aged 45, is our non-executive Director, appointed on 23 March 2018. Mr. Shao has been a founding partner of Matrix Partners China, a leading technology venture capital firm in the PRC since 2008. From 1999 to 2004, Mr. Shao was the founder and the chief executive officer of EachNet.com, an e-commerce company, which was acquired by eBay Inc., a company currently listed on the NASDAQ (stock symbol: EBAY), in July 2003. Mr. Shao currently serves as a director of LexinFintech Holdings Ltd., a company whose shares are listed on NASDAQ (stock symbol: LX). Mr. Shao served from June 2018 to March 2019 as a non-executive director of BabyTree Group, a company currently listed on the Main Board of Hong Kong Stock Exchange (Stock code: 1761). Mr. Shao received a bachelor's degree, summa cum laude, in physics and engineering science from Harvard College of Harvard University in June 1995, and a master of business administration degree from Harvard Business School in June 1999. Mr. Shao currently holds directorships in the following principal subsidiaries of our Group: Wisest and TD Elite.

Mr. Zuo Lingye (左凌燁), aged 40, is our non-executive Director, appointed on 23 March 2018. Prior to joining our Group, Mr. Zuo has been one of the founding members of Matrix Partners China since 2008 and has over ten years of expertise of investing in technology companies. Mr. Zuo received a bachelor's degree in management information system and master of technical economics and management degree from Tsinghua University in July 2000 and in July 2002, respectively. Mr. Zuo currently serves as an independent director in Cheetah Mobile Inc., a company listed on the New York Stock Exchange (stock symbol: CMCM), a director in Beijing Beisen Cloud Computing Co., Ltd., a company listed on the National Equities Exchange and Quotations System and a director in Beijing OneAPM Co., Ltd., a company listed on the National Equities Exchange and Quotations System.

Mr. Ding Gordon Yi (丁毅), aged 43, is our non-executive Director, appointed on 23 March 2018. Mr. Ding is a managing director of Warburg Pincus, which he joined in 2009 and focuses on investments in the technology, internet, media and education sectors in the PRC and other parts of Asia. Prior to joining Warburg Pincus, Mr. Ding worked at Citadel Investment Group from 2008 to 2009 and also in the investment banking divisions of Morgan Stanley Asia Limited and UBS Investment Bank from 2005 to 2007. Mr. Ding received a bachelor of science degree from Shanghai Jiao Tong University in July 1997 and a master of business administration degree from the Kellogg School of Management at Northwestern University, United States in June 2005. Mr. Ding currently holds directorship in the following principal subsidiary of the Group: Wisest.

Independent Non-executive Directors

Mr. Ye Yaming (葉亞明), aged 55, is our independent non-executive Director, appointed on 9 June 2018. Mr. Ye served as the former chief scientist, the chief technology officer and senior vice president of Ctrip, a company currently listed on the NASDAQ (stock symbol: CTRP) from August 2011 to February 2017. From October 2001 to July 2011, he held various positions at eBay and he served as the director of software development before leaving. Mr. Ye received a bachelor's degree in mathematics from Jilin University in July 1984, a master of engineering degree from Institute of Computing Technology Chinese Academy of Sciences in September 1990 and a master of arts degree from Wayne State University in December 1993.

Mr. Zhang Ximeng (張溪夢), aged 42, is our independent non-executive Director, appointed on 9 June 2018. Prior to joining our Group, since May 2015, Mr. Zhang has been the chief executive officer and one of the cofounders of GrowingIO, a data analytics company which provides closed-loop data operations across various industries. From April 2010 to February 2015, Mr. Zhang worked at LinkedIn Corporation, and he was senior director of business analytics before leaving. Mr. Zhang received a master of business administration degree from Baldwin Wallace University in May 2004.

Mr. Choi Onward (蔡安活), aged 48, is our independent non-executive director. Mr. Choi joined our Group in June 2018. Prior to joining our Group, Mr. Choi served as the acting chief financial officer of NetEase, Inc., a leading internet and online game service provider in the PRC which is currently listed on the NASDAQ (stock symbol: NTES), from July 2007 to June 2017.

Mr. Choi received a bachelor of arts degree in accountancy with honors from the Hong Kong Polytechnic University in November 1993. Mr. Choi is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the CPA Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Choi currently serves or served as a director in the following publicly listed companies:

- Beijing Jingkelong Company Limited, a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 814), as an independent non-executive director;
- China ITS (Holdings) Company Limited, a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 1900), as an independent non-executive director. Mr. Choi resigned as an independent non-executive director on 1 April 2019; and
- Tuniu Corporation, a company whose shares are listed on the NASDAQ (stock symbol: TOUR), as an independent director.

SENIOR MANAGEMENT

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

Mr. Dai Kebin (戴科彬), aged 38, is our executive Director, the Chairman of the Board and the Chief Executive Officer. Mr. Dai is primarily responsible for the overall strategic planning and business direction of our Group and management of our Company, and is acting as the Chairman of the Nomination Committee. Please see his biography in the part headed "Directors — Executive Directors" in this section.

Mr. Chen Xingmao (陳興茂), aged 42, is our executive Director and the Chief Technology Officer. Mr. Chen is primarily responsible for the overseeing product research and development, and developing strategies for technological advancement. Please see his biography in the part headed "Directors — Executive Directors" in this section.

Ms. Xu Lili (徐黎黎), aged 37, is our executive Director and the Chief Financial Officer. Ms. Xu is primarily responsible for the overseeing the corporate finance of our Group, handling investor relationships, and overseeing all investments and acquisitions of our Group. Please see her biography in the part headed "Directors — Executive Directors" in this section.

Mr. Zhao Kang (趙康), aged 48, is our senior vice president and joined our Group in May 2017. Mr. Zhao is primarily responsible for overseeing the sales and services of our Group. Prior to joining our Group, he was a senior vice president for the global solution unit in the PRC office of Schneider Electric, an energy management and automation company which is listed on the Paris Stock Exchange (stock symbol: SE), from September 2013 to June 2017. From March 2005 to August 2013, Mr. Zhao worked in the PRC office of Dell, a computer technology company and he was an executive director before leaving. Mr. Zhao received a bachelor's degree in industrial management engineering and a master of aviation system engineering degree from Northwestern Polytechnical University in July 1992 and April 1994, respectively. He also received a master of business administration degree from Hong Kong University of Science and Technology in June 2017.

Mr. Zhao Hua (趙華), aged 45, is our vice president of the Big Data division and joined our Group in July 2018. Mr. Zhao is primarily responsible for data science, data warehouse, data platform, data product and data analysis. He is devoted to converting Big Data technology to business value. Prior to joining our Group, he worked at Ctrip.com International, Ltd., a company listed on NASDAQ (stock symbol CTRP), as a director of the business intelligence and data science in the accommodation business unit from 2012 to 2018. From 2006 to 2012, he was a business intelligence manager at ValueClick, Inc., a company listed on NASDAQ (stock symbol: VCLK). He received a bachelor's degree in mechanical engineering from Chongqing University in July 1997.

COMPANY SECRETARY

Ms. Fung Wai Sum (馮慧森), aged 36, is our company secretary. Ms. Fung is a senior manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Fung has over 10 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Fung is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

PRINCIPAL ACTIVITIES

We operate the leading talent acquisition services platform in China focused on mid- to high-end talents, where we host a range of proprietary online platform and SaaS solutions and provide them to our registered individual users, verified business users and verified headhunters over the internet. Through the application of AI technology and Big Data analytics, our mobile app, website and branded WeChat official account, we offer a comprehensive set of talent services to help businesses acquire talents more effectively. As we recognize the centrality of our service providing platforms to connecting different players of our ecosystem, we have continually revamped and improved the platforms' interfaces to enhance users' experience and strengthen the platform's security. In 2018, we have implemented a series of enhancements to our systems, including intelligence recommendation to headhunters, *Onboarding Express* (入職快) rating system, interview invitation and online video interview, etc..

There were no significant changes in the nature of the Group's principal activities during the year. Please refer to note 14 to the Consolidated Financial Statements on page 129 for details of the principal activities of the principal subsidiaries of the Group.

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated financial statements of the Group on pages 78 to 156 of this annual report.

FINAL DIVIDEND

No dividend has been declared and paid by the Group for the year ended 31 December 2018.

SHARE CAPITAL

Details of the issued shares of the Company during the year are set out in note 29 to the Consolidated Financial Statements.

RESERVES

Details of the movements in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 82 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law of the Cayman Islands, amounted to approximately RMB2,717.4 million.

FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and equity of the Group for the last four financial years, as extracted from the published audited financial information and financial statements, is set out on page 158 of this annual report.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2018, the Company had no bank loans and other borrowings.

PROPERTY, PLANT AND EQUIPMENT

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the "**AGM**") of the Company will be held on Thursday, 6 June 2019. The notice of the AGM will be published and dispatched in due course in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 3 June 2019 to Thursday, 6 June 2019, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all duly completed share transfer forms accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 31 May 2019.

BUSINESS REVIEW

Overview and Performance of the Year

A review of the business of the Group and analysis of the Group's performance using financial key performance indicators is provided in the Management's Discussion and Analysis section on pages 9 to 21 of this annual report.

Environmental Policies and Performance

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

Compliance with Relevant Laws and Regulations

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

Key Relationships with Stakeholders

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

As for headhunters, we regard them as not only players in our ecosystem but also valued business partners. Through giving weight to headhunters and individual users in the ecosystem of *Liepin* (獵聘), we have strengthened the interaction between headhunters and individual users, increased the number of repeated users and inspired users' loyalty, thus popularised our brand and enhanced the degree of activeness of our platform users. Details of which are set out in the Management Discussion and Analysis section from page 9 of this annual report.

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

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

Key Risks and Uncertainties

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

Risks Relating to Our Business and Our Industry

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

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

Risks Relating to Potential Claims or Proceedings Brought against Us

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

Risks Relating to Damage of Our Brand

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

Other Risks

The Group is exposed to various types of other risks, including credit risk, liquidity risk and currency risk. Details of such risks are set out in note 30 to the Consolidated Financial Statements in this annual report.

PROSPECTS

A description of the future development in the Company's future business is provided in the Chairman's Statement and the Management Discussion and Analysis on page 7 and page 9 respectively of this annual report.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 26 March 2019, Liepin (HK) Information Technology Co., Limited, a wholly-owned subsidiary of the Company ("**Liepin (HK)**") entered into two investment term sheets with Changsha Ranxing Information Technology Co., Ltd. ("**Changsha Ranxing**") and Mr. Hu Xiao, and Nantong Chengwei Changqing Equity Investment Partnership (Limited Partnership) respectively (all third parties independent of the Company and its connected persons). Pursuant to the investment term sheets, Liepin (HK) conditionally agreed to invest in 75% equity interest in Changsha Ranxing for a total consideration of RMB944.76 million. The total consideration will be settled by the Company partly in cash (to be satisfied by the internal resources of the Group) and partly by either transferring or issuing of consideration shares of the Company. Upon completion of the acquisition, Changsha Ranxing will become a non-wholly-owned subsidiary of the Company. Changsha Ranxing primarily engages in the provision of Internet services in China with its main product Wenjuanxing (問卷星) which is a leading online questionnaire software-as-a-service (SaaS) platform in China. The Board believes that the above investment will help strengthen and expand the service coverage of the Group, and further improve the Group's ability to provide users with comprehensive talent services. For details of the acquisition, please refer to the announcement of the Company dated 27 March 2019.

Save as disclosed in this annual report, no other important events affecting the Company occurred after 31 December 2018 and up to the date of this annual report.

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this annual report are:

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

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

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

In accordance with article 16.3 of the Articles of Association, subject to the provisions of the Articles of Association and the Companies Law (2013 Revision) (as consolidated and revised) of the Cayman Islands, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Details of the Directors to be re-elected at the AGM are set out in the circular to shareholders dated 30 April 2019.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 22 to 25 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Mr. Ye Yaming, Mr. Zhang Ximeng and Mr. Choi Onward, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors have been independent from the date of their appointments to 31 December 2018 and remain so as of the date of this annual report.

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

As far as the Company is aware, as at 31 December 2018, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Long Positions in the Company’s Shares

Name of Director	Capacity/ Nature of Interest	Total number of shares	Approximate Percentage of Shareholding Interest (%)
Mr. Dai Kebin	Interest of controlled corporation(1)	32,764,955	6.42
	Founder of a discretionary trust(2)	267,352,441	52.37
	Interest of spouse(3)	2,112,145	0.41
Mr. Chen Xingmao	Founder of a discretionary trust(4)	14,098,226	2.76
Ms. Xu Lili	Founder of a discretionary trust(5)	3,339,184	0.65

Notes :

(1) Mr. Dai Kebin holds 99% of Sanqi Tiancai (Tianjin) Enterprise Management Consulting Co., Ltd., which is the general partner of and holds 0.26% of Sanqi Weilai (Tianjin) Enterprise Management Partnership (Limited Partnership), which in turn holds 32,764,955 shares in the Company.

(2) Mr. Dai Kebin is the settlor of a discretionary trust, The Dai Family Trust, of which SMP Trustees (Hong Kong) Limited acts as its trustee and the beneficiaries of which are Mr. Dai Kebin and certain of his family members. May Flower Information Technology Co., Limited (“**May Flower**”) is wholly-owned by Pioneer Choice Global Limited, which is in turn wholly-owned by SMP Trustees (Hong Kong) Limited as the trustee of The Dai Family Trust. Mr. Dai Kebin (as settlor of The Dai Family Trust), SMP Trustees (Hong Kong) Limited and Pioneer Choice Global Limited are deemed to be interested in 267,352,441 shares in the Company which May Flower is interested. May Flower holds 110,533,199 shares in the Company beneficially and 156,819,242 shares in the Company through the following voting proxies in the Company:

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

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

iii. 30,464,038 shares of the Company held by Tenzing Holdings 2011 Ltd.;

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

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

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

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

(5) Ms. Xu Lili is the settlor of a discretionary trust, The Sunny Lily Trust, of which Vistra Trust (Singapore) Pte. Limited acts as its trustee and the beneficiaries of which are Ms. Xu Lili and certain of her family members. Sunny Lily Information Technology Co., Limited ("**Sunny Lily**") is wholly-owned by Trinity Century Global Limited, which is in turn wholly-owned by Vistra Trust (Singapore) Pte. Limited as the trustee of The Sunny Lily Trust. Ms. Xu Lili (as settlor of The Sunny Lily Trust), Vistra Trust (Singapore) Pte. Limited and Trinity Century Global Limited are deemed to be interested in 3,339,184 shares in the Company held by Sunny Lily.

Long Positions in Underlying Shares of the Company

Name of Director	Capacity	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital (%)
Ms. Xu Lili	Beneficial owner	1,000,000	0.20

Long Positions in Shares of Associated Corporations of the Company

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

Note:

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

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executives of the Company had or was deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to notify to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or which were required, pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, to notify to the Company and the Hong Kong Stock Exchange.

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

As at 31 December 2018, to the best of the knowledge of the Company and the Directors, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

Interests in the Shares and Underlying Shares of the Company

Name of Shareholder	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding Interest (%)
Ms. Song Yueting	Founder of a discretionary trust(1)	2,112,145 (long position)	0.41
	Interest of spouse(2)	300,117,396 (long position)	58.79
May Flower Information Technology Co., Limited (3)	Beneficial owner	267,352,441 (long position)	52.37
Tenzing Holdings 2011 Ltd.(4)	Beneficial owner	30,464,038 (long position)	5.97
Tenzing Holdings, LLC(4)	Interest of controlled corporation	30,464,038 (long position)	5.97
South Dakota Trust Company LLC(4)	Trustee	30,464,038 (long position)	5.97

Name of Shareholder	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding Interest (%)
Matrix Partners China I, L.P.(5)	Beneficial owner	90,478,958 (long position)	17.72
Matrix China Management I, L.P.(5)	Interest of controlled corporation	99,660,939 (long position)	19.52
Matrix China I GP GP, Ltd.(5)	Interest of controlled corporation	99,660,939 (long position)	19.52
JPMorgan Chase & Co.	Interest of controlled corporation	17,957,418 (long position)	3.52
		128,000 (short position)	0.03
		16,604,218 (lending pool)	3.25
Giant Lilly Investment Ltd(6)	Beneficial owner	97,226,933 (long position)	19.04
Warburg Pincus Private Equity XI, L.P.(6)	Interest of controlled corporation	97,226,933 (long position)	19.04
Warburg Pincus XI, L.P.(6)	Interest of controlled corporation	97,226,933 (long position)	19.04
WP Global LLC(6)	Interest of controlled corporation	97,226,933 (long position)	19.04
Warburg Pincus Partners II, L.P.(6)	Interest of controlled corporation	97,226,933 (long position)	19.04
Warburg Pincus Partners GP LLC(6)	Interest of controlled corporation	97,226,933 (long position)	19.04
Warburg Pincus & Co.(6)	Interest of controlled corporation	97,226,933 (long position)	19.04

Name of Shareholder	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding Interest (%)
Sanqi Weilai (Tianjin) Enterprise Management Partnership (Limited Partnership)[7]	Beneficial owner	32,764,955 (long position)	6.42
Sanqi Tiancai (Tianjin) Enterprise Management Consulting Co., Ltd.[7]	Interest of controlled corporation	32,764,955 (long position)	6.42

Notes:

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

(2) Mr. Dai Kebin is the spouse of Ms. Song Yueting. Mr. Dai Kebin is interested in 300,117,396. Shares in the Company in capacity of a founder of a discretionary trust and through interests in controlled corporation. For details of Mr. Dai Kebin's interest in the shares of the Company, please refer to notes (1) and (2) on page 34 of this annual report.

(3) May Flower is wholly-owned by Pioneer Choice Global Limited, which is in turn wholly-owned by SMP Trustees (Hong Kong) Limited, as the trustee of The Dai Family Trust. Mr. Dai Kebin (as settlor of The Dai Family Trust), SMP Trustees (Hong Kong) Limited and Pioneer Choice Global Limited are deemed to be interested in 267,352,441 shares in the Company which May Flower is interested. May Flower beneficially holds 110,533,199 shares in the Company and it was granted the following voting proxies over the ordinary shares of the Company, which in aggregate amount to 156,819,242 shares out of the 267,352,441 shares in the Company:

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

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

iii. 30,464,038 shares of the Company held by Tenzing Holdings 2011 Ltd.;

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

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

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

(5) Matrix China Management I, L.P. is the general partner of Matrix Partners China I-A, L.P., which beneficially holds 9,181,981 shares in the Company. The general partner of Matrix Partners China I, L.P. is also Matrix China Management I, L.P., the general partner of which is Matrix China I GP GP, Ltd..

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

(7) The general partner of Sanqi Weilai (Tianjin) Enterprise Management Partnership (Limited Partnership) is Sanqi Tiancai (Tianjin) Enterprise Management Consulting Co., Ltd., which is in turn 99% held by Mr. Dai Kebin. Therefore Mr. Dai Kebin and Sanqi Tiancai (Tianjin) Enterprise Management Consulting Co., Ltd. are deemed to be interested in the shares held by Sanqi Weilai (Tianjin) Enterprise Management Partnership (Limited Partnership).

Save as disclosed above, as at 31 December 2018, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended 31 December 2018 was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouse or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

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

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

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

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

Connected Persons

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

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

Reasons for the Contractual Arrangements

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

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

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

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

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

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

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

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

Risks Relating to the Contractual Arrangements

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

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

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

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

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

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

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

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

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

Contractual Arrangements in Place

The Contractual Arrangements which were in place during the year ended 31 December 2018 and a brief description of the major terms of the structured contracts under the Contractual Arrangements are as follows:

Exclusive Option Agreements

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

Exclusive Business Cooperation Agreements

On 26 April 2018, each of Wisest, TD Elite and Liedao entered into an exclusive business cooperation agreement with Tiancai Youdao (collectively, the "**Exclusive Business Cooperation Agreements**"), pursuant to which each of Wisest, TD Elite and Liedao agrees to engage Tiancai Youdao as its exclusive provider of business support, technical and consulting services, including technical services, network support, business consultation, intellectual property licensing, equipment leasing, market consultancy, system integration, product research and development and system maintenance, in exchange for service fees. Under these arrangements, the service fees, subject to Tiancai Youdao's adjustment, are equal to (i) 30% of the net profit of Wisest and its subsidiaries and (ii) all of the net profit of each of TD Elite and Liedao and their respective subsidiaries. As of 31 December 2018, the profits/(losses) of Wisest, TD Elite and Liedao amounted to RMB52.6 million, RMB61.6 million and RMB(2.7) million respectively (2017: RMB162.6 million, RMB(63.6) million and RMB1.5 million respectively). Tiancai Youdao enjoys (i) 30% of the economic benefits derived from the businesses of Wisest and its subsidiaries and (ii) all the economic benefits derived from the businesses of TD Elite and Liedao and their respective subsidiaries and bears the relevant portion of the business risks of Wisest, TD Elite and Liedao, respectively. If Wisest, TD Elite and Liedao runs into financial deficit or suffers severe operation difficulties, Tiancai Youdao will provide financial support to Wisest, TD Elite and Liedao proportionately. Notwithstanding the above, no service fee has been charged by Tiancai Youdao in 2018. It is also agreed between Tiancai Youdao and each of Wisest, TD Elite and Liedao that Tiancai Youdao will not charge any service fee for 2018 retrospectively in the future.

Share Pledge Agreements

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

Powers of Attorney

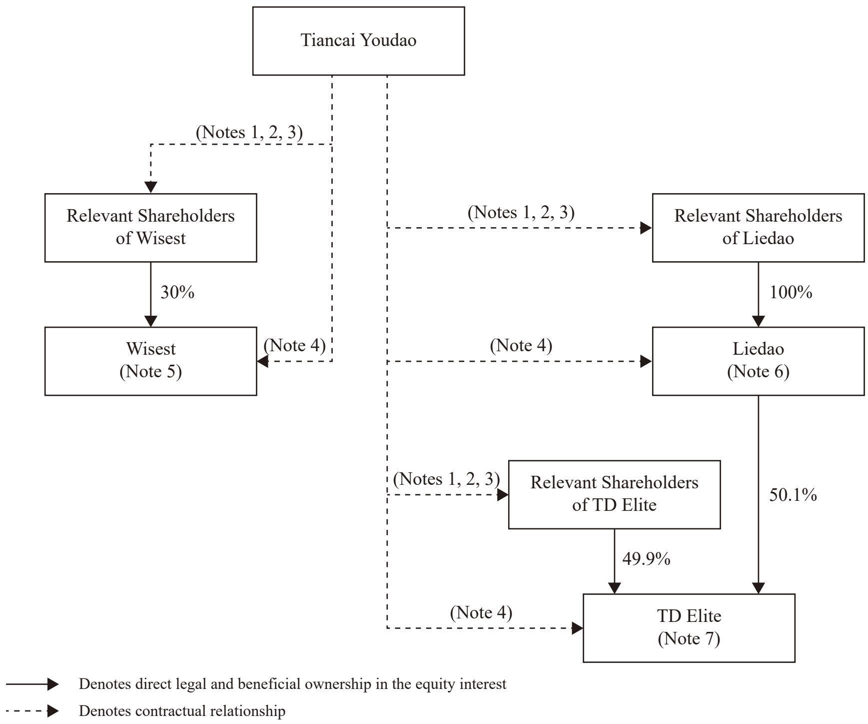
On 26 April 2018, each of Wisest, TD Elite and Liedao, the Relevant Shareholders and Tiancai Youdao entered into an irrevocable power of attorney (collectively, the "**Powers of Attorney**"), whereby the Relevant Shareholders will appoint Tiancai Youdao or a director of its offshore holding company or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

Shareholder Undertakings

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

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

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



Notes:

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

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

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

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

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

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

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

Apart from the above, there are no other new contractual arrangements entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the financial year ended 31 December 2018. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 December 2018.

For the year ended 31 December 2018, none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

Save as disclosed above, during the year ended 31 December 2018, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules.

During the year ended 31 December 2018, no related party transactions disclosed in note 32 to the Consolidated Financial Statements constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules for the continuing connected transactions set out in this section, the Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

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

The revenue of Wisest, TD Elite and Liedao for the year ended 31 December 2018 were RMB228.1 million, RMB905.6 million, and RMB2.4 million, respectively (2017: RMB475.1 million, RMB327.7 million, and RMB20.2 million, respectively).

The total assets of Wisest, TD Elite and Liedao for the year ended 31 December 2018 were RMB865.5 million, RMB702.5 million and RMB57.2 million, respectively (2017: RMB708.0 million, RMB326.8 million and RMB6.0 million, respectively).

For the year ended 31 December 2018, the revenue of Wisest, TD Elite and Liedao amounted to approximately 18.6%, 73.9% and 0.2%, respectively (2017: 57.6%, 39.7% and 2.5%, respectively) of the revenue for the year of the Group.

Mitigation Actions Taken by the Company

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

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

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

Listing Rule Implications

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

Waiver from the Hong Kong Stock Exchange and Annual Review

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

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

b) no change without independent shareholders' approval;

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

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

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

Qualification Requirements

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

According to the Interim Administrative Provisions for Sino-Foreign Equity Joint Venture Talent Intermediary Service Agencies (the "**HR Interim Provisions**"), a foreign investor who invests in a talent intermediary service agency shall have engaged in talent intermediary services for three years or more, and have a good reputation (the "**Qualification Requirement of HR License**", and together with the Qualification Requirement of VATS, the "**Qualification Requirements**"). Furthermore, according to a consultation conducted on 1 February 2018 with an officer of the Beijing Municipal Human Resources and Social Security Bureau (the "**Beijing HRB**") where Wisest obtained its HR Service License (the "**Beijing HRB Consultation**"), the officer confirmed that the Qualification Requirement of HR License has been cancelled in Beijing. Our PRC legal advisor is of the view that the Beijing HRB, as the department in charge of supervision and substantive examination of foreign investors investing in the Talent Intermediary Services industry in Beijing, is the competent authority to give the relevant confirmation, and the officer is of appropriate ranking to provide such confirmation. Based on the Beijing HRB Consultation, our PRC legal advisor has advised that the Company's indirect ownership of 70% of the equity interests in Wisest is in compliance with applicable laws and regulations in relation to foreign investor investing in talent intermediary service agency holding HR Service License in the PRC.

Efforts and Actions Undertaken to Comply with the Qualification Requirements

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

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

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

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

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

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

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

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

Confirmation from the Independent Non-executive Directors

Our independent non-executive Directors have confirmed that the Contractual Arrangements for the year ended 31 December 2018 to which any member of the Group was a party were entered into by the Group:

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

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

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

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

Confirmations from the Auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the Auditor to conduct certain procedures in respect of the transactions carried out pursuant to the Contractual Arrangements of the Group for the year ended 31 December 2018, in accordance with Hong Kong Standard on Assurance Engagements 3000(Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has confirmed in a letter to the Board that, with respect to the transactions carried out pursuant to the Contractual Arrangements during the year ended 31 December 2018:

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

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of our Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended 31 December 2018 and up to the date of this annual report.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no contract of significance was entered into between the Company, or one of its subsidiary companies, and a controlling shareholder or any of its subsidiaries during the year ended 31 December 2018.

MANAGEMENT CONTRACTS

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

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Company shall indemnify out of the assets of the Company any Director against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceeding, whether civil or criminal, in which judgment is given in his/her favour, or in which he is acquitted. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group during the year ended 31 December 2018.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at 31 December 2018, we had 3,454 employees (as at 31 December 2017: 2,791 employees). We adopt a merit-based compensation system for our sales team, which incentivizes our sales team to deliver superior performances. The compensation for our sales personnel includes salaries and merit-based incentives that are based on a set of performance indicators, such as total revenue generated and number of unique customer accounts acquired and retained, to provide incentives for our sales team to deliver excellent performance. We provide regular in-house and external education and training to our sales team to improve their sales skills, industry knowledge and understanding of our products and services. Our Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

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

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

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

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

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

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme at any time shall not exceed 42,865,895 shares, which represents approximately 8.397% of the total issued share capital of the Company as at 31 December 2018. The exercise price in respect of any option shall be such amount as may be determined by the Board from time to time and set out in the notice of offer. The options which have been granted shall be vested in accordance with the periods as may be determined by the Board and as set out in the notice of offer.

Options to subscribe for 21,025,675 shares of the Company, representing approximately 4.118% of the total issued share capital of the Company, were outstanding as at 31 December 2018. As at 31 December 2018, 14,959,836 options granted under the Pre-IPO Share Option Scheme have been exercised. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

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

Details of movements in the options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2018 are as follows:

		Number of Share Options							
Category and Name of grantee	Date of grant of share options	Outstanding as at 1 January 2018	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at 31 December 2018	Exercise period of share options	Exercise price of share options	Weighted average price of the Company's shares
Executive Directors									
Mr. Dai Kebin	1 July 2014	9,008,507	–	9,008,507	–	–	1 July 2014 to 30 June 2024	USD0.0268	HKD28.85
Mr. Chen Xingmao	1 July 2014	500,000	–	500,000	–	–	1 July 2014 to 30 June 2024	USD0.0268	HKD28.85
Ms. Xu Lili	1 February 2014	3,339,184	–	3,339,184	–	–	1 February 2014 to 31 January 2024	USD0.0268	HKD28.85
	10 June 2018	–	1,000,000	–	–	1,000,000	10 June 2018 to 9 June 2028	USD2.50	HKD28.85
In aggregate		12,847,691	1,000,000	12,847,691	–	1,000,000			HKD28.85
Employees of the Group									
In Aggregate	January 2012 to December 2018	11,744,651*	10,522,745	2,112,145	129,576	20,025,675	January 2022 to June 2028	USD0.0268 to USD2.50	HKD28.85
Total		24,592,342	11,522,745	14,959,836	129,576	21,025,675			

* The share option granted on 1 January 2018 have been included

Post-IPO Share Option Scheme

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

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

The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which no further options shall be offered or granted under the Post-IPO Share Option Scheme), but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any share option(s) granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO Share Option Scheme. As at 31 December 2018, the remaining life of the Post-IPO Share Option Scheme is around 10 years.

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

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme of our Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the shares in issue from time to time (the "**Option Scheme Limit**"). As at 31 December 2018, no share option under the Post-IPO Share Option Scheme has been granted.

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

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

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

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

Restricted Share Unit Scheme

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

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

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

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

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

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

The RSU Scheme was adopted after the Reporting Period, therefore, no RSU was granted in 2018. The remaining life of the RSU Scheme is around 10 years.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2018.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 4% and 11% and the respective percentage of the total sales attributable to the Group's largest customer and five largest customers in aggregate was 0.7% and 2.05%.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 31 December 2018.

COMPLIANCE WITH THE CG CODE

The Company has adopted and complied with the principles and code provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules from the Listing Date to 31 December 2018, save for the deviation from code provision A.2.1 as disclosed below.

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

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2018 have been audited by KPMG.

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

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

PRC, 28 March 2019

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

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

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

In the opinion of the Directors, throughout the period from the Listing Date to 31 December 2018, the Company has complied with all the code provisions as set out in the CG Code, except for code provision A.2.1 of the CG Code which provides that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual, details of which are set out on page 57 under the section headed "Board of Directors" of this Corporate Governance Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 December 2018.

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

BOARD OF DIRECTORS

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

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

Board Composition

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

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

The biographical information of the Directors is set out in the section headed "Biographies of Directors and Senior Management — Directors" on pages 22 to 24 of this annual report.

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

Board Meetings and Directors' Attendance Records

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

Code provision A.2.7 of the CG Code has been revised to require that the chairman should at least annually hold meetings with independent non-executive directors without the presence of other directors. Arrangements have been made for compliance with the revised code provision which took effect from 1 January 2019.

Chairman and Chief Executive Officer

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

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

Independent Non-executive Directors

From the Listing Date to 31 December 2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

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

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

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

The Directors shall disclose to the Company details of other offices held by them.

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

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

Continuous Professional Development of Directors

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

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

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

During the year ended 31 December 2018, the Company organized training sessions conducted by the legal advisers for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors for the year ended 31 December 2018 are summarized as follows:

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

Note:

Types of Training

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

BOARD COMMITTEES

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

The list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" on page 5 of this annual report.

Audit Committee

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

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

During the year ended 31 December 2018, the Audit Committee held one meeting to review the interim financial results and report for the period ended 30 June 2018 and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors, engagement of non-audit services and relevant scope of works and arrangements for employees to raise concerns about possible improprieties.

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

Remuneration Committee

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

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

The Company has just listed for 6 months as at the end of 2018 so it did not have time to convene the Remuneration Committee meeting in 2018. However, the remuneration policy and the remuneration packages of the executive Director and senior management have been reviewed and approved by the Board and the Shareholders shortly before listing. The Company believes that such remuneration policy and the remuneration packages of the executive Director and senior management are appropriate for 2018. The Company has held the Remuneration Committee meeting on 28 March 2019 and will hold such meeting in the coming every year.

The remuneration payable to the senior management of the Company (who are not the Directors) is shown in the following table by band:

	2018 Number of Individual(s)	2017 Number of Individual(s)
Annual Remuneration		
HKD1,000,001 - HKD1,500,000	**—**	2
HKD3,000,001 - HKD3,500,000	**1**	—
HKD10,500,001 - HKD11,000,000	**1**	—

Further details of the remuneration payable to the Directors and the five highest paid individuals for the year ended 31 December 2018 are set out in note 9 to the Consolidated Financial Statements in this annual report.

Nomination Committee

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

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board annually and making recommendations on any proposed change to the Board to complement the Company's corporate strategy; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the chief executive, and assessing the independence of independent non-executive Directors.

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

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

The Company has just listed for 6 months as at the end of 2018 so it did not have time to convene the Nomination Committee meeting in 2018. However, the structure, size and composition of the Board and the independence of the independent non-executive Directors have been reviewed by the Board and the Board considered that an appropriate balance of diversity perspectives of the Board is maintained for 2018. The Company has held the Nomination Committee meeting on 28 March 2019 and will hold such meeting in the coming every year.

Board Diversity Policy

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

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

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

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

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

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

Director Nomination Policy

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

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

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

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

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. From the Listing Date to 31 December 2018, there was no change in the composition of the Board.

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

Corporate Governance Functions

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

From the Listing Date to 31 December 2018, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

As the Company was only listed on the Hong Kong Stock Exchange since 29 June 2018, the relevant standards were not applicable to the Company during 1 January 2018 to 28 June 2018.

The attendance record of each Director at the Board and Board committee meetings of the Company held during the year ended 31 December 2018 is set out in the table below:

	Attendance/Number of Meetings			
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Dai Kebin	4/4	—	—	NIL
Mr. Chen Xingmao	3/4	—	—	—
Ms. Xu Lili	4/4	—	—	—
Non-executive Directors				
Mr. Shao Yibo	1/4	—	—	—
Mr. Zuo Lingye	2/4	1/1	—	—
Mr. Ding Gordon Yi	1/4	—	NIL	—
Independent non-executive Directors				
Mr. Ye Yaming	2/4	1/1	—	NIL
Mr. Zhang Ximeng	2/4	—	NIL	NIL
Mr. Choi Onward	2/4	1/1	NIL	—

Note:

During the year ended 31 December 2018, no AGM was held.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

Information System Risk Management

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

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

Data Security Risk Management

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

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

Privacy Risk Management

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

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

Investment Risk Management

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

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

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

Counterparty Risk Management

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

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

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

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2018.

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

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2018, and considered that such systems are effective and adequate. The annual review also covered the financial reporting, internal audit function, adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 73 to 77.

AUDITOR'S REMUNERATION

The remuneration paid to the external auditors of the Company, Messrs KPMG, in respect of audit services and non-audit services for the year ended 31 December 2018 is set out below:

Service Category	Fees Paid/ Payable HKD'000
Audit services	2,853
Services in connection with the initial listing of the Company's shares	4,974
Non-audit services — financial advisory services	457
	8,284

COMPANY SECRETARY

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

For the year ended 31 December 2018, Ms. Fung has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with the Shareholders through various communication channels.

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

Convening an Extraordinary General Meeting

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

Putting Forward Proposals at General Meetings

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

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

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

Putting Forward Enquiries to the Board

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

Contact Details

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

Address:	Unit 402, 4/F Fairmont Hse., No. 8 Cotton Tree Drive, Admiralty, Hong Kong (For the attention of the Board of Directors)
Email:	***ir@liepin.com***

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The Company's existing Articles of Association were adopted on 9 June 2018 and were effective on the Listing Date. The Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

Policies relating to Shareholders

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

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

KPMG

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

OPINION

We have audited the consolidated financial statements of Wise Talent Information Technology Co., Ltd ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 78 to 156, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

RECOGNITION OF SUBSCRIPTION-BASED MODEL SERVICE REVENUE

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

The Key Audit Matter

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

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

The Group has adopted International Financial Reporting Standard 15 "Revenue" ("**IFRS 15**") as from 1 January 2018. Under IFRS15, each service in the packages of services that the Group delivers to the customer is a separate performance obligation. At contract inception, the transaction price is allocated to each performance obligation on the basis of relative stand-alone selling prices. The stand-alone selling prices are determined by observable price of a service when the Group sells that service separately in similar circumstances and to similar customers.

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

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

How the matter was addressed in our audit

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

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

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants

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

28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 (Note) RMB'000
Revenue	4	**1,225,308**	824,662
Cost of revenue		**(237,658)**	(131,685)
Gross profit		**987,650**	692,977
Other income	5	**69,912**	15,343
Sales and marketing expenses		**(713,097)**	(487,274)
General and administrative expenses		**(211,693)**	(93,870)
Research and development expenses		**(138,430)**	(91,920)
(Loss)/profit from operations		**(5,658)**	35,256
Net finance income/(cost)	7	**16,807**	(27,705)
Share of losses of associate	15	**(960)**	—
Profit before taxation	6	**10,189**	7,551
Income tax	8	**(7,446)**	—
Profit for the year		**2,743**	7,551
Attributable to:			
— Equity shareholders/owners of the Company		**7,737**	8,998
— Non-controlling interests		**(4,994)**	(1,447)
Profit for the year		**2,743**	7,551
Earnings per share	11		
Basic (RMB Cent)		**1.70**	2.23
Diluted (RMB Cent)		**1.60**	2.23

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c)

The notes on pages 86 to 156 form part of these financial statements.

For the year ended 31 December 2018
(Expressed in RMB)

	Note	2018 *RMB'000*	2017 *(Note)* *RMB'000*
Profit for the year		**2,743**	7,551
Other comprehensive income for the year (after tax and reclassification adjustments)	10		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas companies		**94,675**	—
Other comprehensive income for the year		**94,675**	—
Total comprehensive income for the year		**97,418**	7,551
Attributable to:			
Equity shareholders/owners of the Company		**102,412**	8,998
Non-controlling interests		**(4,994)**	(1,447)
Total comprehensive income for the year		**97,418**	7,551

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 86 to 156 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in RMB)

	Note	31 December 2018 RMB'000	31 December 2017 (Note) RMB'000
Non-current assets			
Property, plant and equipment	12	27,751	22,614
Investment properties	12	28,065	29,096
Intangible assets	13	13,227	8,605
Other financial assets	16	105,918	—
Available-for-sale financial assets	16	—	6,200
Interests in associate	15	18,444	—
Other non-current assets	17	7,161	3,360
		200,566	69,875
Current assets			
Trade receivables	19	36,019	18,462
Prepayments and other receivables	20	72,117	19,495
Receivables from related parties	32(b)	—	2,000
Receivables from shareholders	32(b)	—	62,638
Other current assets	21	79,118	120,010
Time deposits with banks	22	2,587,426	398,586
Cash and cash equivalents	23	648,331	251,345
		3,423,011	872,536
Current liabilities			
Trade and other payables	24	151,625	108,215
Contract liabilities	18	636,992	—
Deferred revenue	25	—	443,790
Payables to related parties	32(b)	—	2,004
Current taxation		7,442	—
		796,059	554,009
Net current assets		2,626,952	318,527
Total assets less current liabilities		2,827,518	388,402
NET ASSETS		2,827,518	388,402

(Expressed in RMB)

	Note	31 December 2018 RMB'000	31 December 2017 (Note) RMB'000
CAPITAL AND RESERVES			
Share capital	29(c)	332	31,785
Reserves	29(d)	2,828,363	352,800
Total equity attributable to equity shareholders/ owners of the Company		2,828,695	384,585
Non-controlling interests		(1,177)	3,817
TOTAL EQUITY		2,827,518	388,402

Approved and authorised for issue by the board of directors on 28 March 2019.

	)	
Dai Kebin	)	
	)	Directors
Xu Lili	)	
	)	

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 86 to 156 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018
(Expressed in RMB)

		Attributable to equity shareholders/owners of the Company							
	Note	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Exchange reserve *RMB'000*	(Accumulated losses)/ retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total Equity *RMB'000*
Balance at 1 January 2017		2,375	—	789,014	—	(727,254)	64,135	(49)	64,086
Changes in equity for 2017:									
Profit for the year		—	—	—	—	8,998	8,998	(1,447)	7,551
Total comprehensive income		—	—	—	—	8,998	8,998	(1,447)	7,551
Capitalization upon conversion of a subsidiary of the Company into a joint stock company	29(c)(ii)	27,625	—	(747,758)	—	720,133	—	—	—
Conversion of convertible loans into capital	29(c)(iii)	1,785	—	300,552	—	—	302,337	—	302,337
Capital injection from non-controlling owners		—	—	—	—	—	—	5,313	5,313
Share-based compensation expenses	6(a)/27/29(c)	—	—	9,115	—	—	9,115	—	9,115
Balance at 31 December 2017 *(Note)*		31,785	—	350,923	—	1,877	384,585	3,817	388,402
Changes in equity for 2018:									
Profit for the year		—	—	—	—	7,737	7,737	(4,994)	2,743
Other comprehensive income		—	—	—	94,675	—	94,675	—	94,675
Total comprehensive income		—	—	—	94,675	7,737	102,412	(4,994)	97,418
Repurchase of own shares	29(c)(iv)	(402)	—	(78,743)	—	—	(79,145)	—	(79,145)
Group reorganization	29(c)(v)	(31,383)	—	(1,024,594)	—	—	(1,055,977)	—	(1,055,977)
Capitalization issuance		263	1,055,342	—	—	—	1,055,605	—	1,055,605
Issuance of shares for the initial public offering ("**IPO**"), net of issuance cost	6(a)/27/29(c)(vii)	59	2,370,040	—	—	—	2,370,099	—	2,370,099
Shares issued under share option scheme	6(a)/27/29(c)(viii)	10	44,402	(41,632)	—	—	2,780	—	2,780
Share-based compensation expenses	6(a)/27/29(c)	—	—	48,336	—	—	48,336	—	48,336
Balance at 31 December 2018		332	3,469,784	(745,710)	94,675	9,614	2,828,695	(1,177)	2,827,518

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transitions method chosen, comparative information is not restated. See note 2(c).

The notes on pages 86 to 156 part of these financial statements.

For the year ended 31 December 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 (Note) RMB'000
Operating activities			
Profit before taxation		10,189	7,551
Adjustments for:			
Impairment losses on trade receivables	30(a)	12,528	3,307
Impairment losses on available-for-sale financial assets		—	3,800
Depreciation in property, plant and equipment and investment property	12	12,329	13,640
Amortization in intangible assets	13	2,192	2,109
Loss on disposal of property, plant and equipment		7	77
Net finance (income)/cost	7	(17,649)	27,201
Interest income from bank deposits	5	(55,452)	(8,895)
Investment income from wealth management products	5	(1,833)	(2,777)
Share of losses of associate		960	—
Share-based compensation expenses	6(a)	48,336	9,115
Changes in working capital:			
Increase in trade receivables		(30,085)	(17,355)
(Increase)/decrease in prepayment and other receivables, receivables from related parties and other current assets		(20,870)	435
Increase in contract liabilities and deferred revenue		193,202	123,521
Increase in trade and other payables and payables to related parties		29,977	21,562
Interest received		19,984	7,687
Cash generated from operations		203,815	190,978
Income tax paid		(5)	—
Net cash generated from operating activities		203,810	190,978

For the year ended 31 December 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 (Note) RMB'000
Investing activities			
Proceeds from sale of property, plant and equipment		**118**	37
Investment income from wealth management products received		**1,471**	2,777
Proceeds from maturity of wealth management products		**240,000**	530,000
Proceeds from maturity of time deposits with banks		**398,586**	744,959
Payment for the purchase of property, plant and equipment and intangible assets		**(19,384)**	(5,972)
Payment for the purchase of wealth management products		**(190,000)**	(530,000)
Payment for the purchase of equity securities		**(115,326)**	—
Placement of time deposits with banks		**(2,544,536)**	(751,506)
Net cash used in investing activities		**(2,229,071)**	(9,705)

For the year ended 31 December 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 (Note) RMB'000
Financing activities			
Capital injection from owners	29(c)(vii)	**2,371,875**	30,000
Capital injection from non-controlling owners		**—**	5,313
Payment for repurchase of own shares	29(c)(iv)	**(16,507)**	—
Proceeds from reorganization	29(c)(v)	**1,054,606**	—
Proceeds from bank loans	23(b)	**352,765**	—
Payment for reorganization	29(c)(v)	**(1,054,978)**	—
Repayment from bank loans	23(b)	**(352,765)**	—
Interest paid	23(b)	**(1,758)**	—
Payment for issuance cost		**(1,535)**	—
Repayment of convertible loans	23(b)	**—**	(92,638)
Net cash generated from/(used in) financing activities		**2,351,703**	(57,325)
Net increase in cash and cash equivalents		**326,442**	123,948
Cash and cash equivalents at the beginning of the year	23(a)	**251,345**	128,986
Effect of foreign exchange rate changes		**70,544**	(1,589)
Cash and cash equivalents at the end of the year	23(a)	**648,331**	251,345

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL INFORMATION

1.1 Principal activities and organization

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

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

1.2 Reorganization

Prior to the incorporation of the Company and the completion of the reorganization as described below, the Business was operated through Wisest (Beijing) Management Consulting Co., Ltd. (the "**Wisest**").

Wisest was converted into a joint stock company with limited liability under the Company Law of the PRC on 11 April 2017.

1 BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL INFORMATION (Continued)

1.2 Reorganization (Continued)

In preparation for the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the reorganization was undertaken pursuant to which Wisest and its subsidiaries, engaged in the Business, were transferred to the Company ("**Reorganization**"). The Reorganization involved the following:

(i) Acquisition of subsidiaries incorporated in Hong Kong

On 26 February 2018, the Company acquired all the issued share capital of TD Elite (HK) Information Technology Co., Limited from Wisest Information Technology Co., Ltd.(Cayman) for nil consideration. Such acquisition was legally completed on 26 February 2018. As a result, TD Elite (HK) Information Technology Co., Limited, became a wholly-owned subsidiary of the Company.

On 14 March 2018, the Company acquired all the issued share capital of TD Elite (HK) Management Consulting Co., Limited and Liepin (HK) Information Technology Co., Limited from Wisest for nil consideration. Such acquisitions were legally completed on 14 March 2018. As a result, TD Elite (HK) Management Consulting Co., Limited and Liepin (HK) Information Technology Co., Limited became a wholly-owned subsidiary of the Company.

(ii) Restructuring of the Company

On 27 March 2018, the Company issued ordinary shares at par value of USD0.0001 of total 128,268,004 shares to each of May Flower Information Technology Co., Limited, Xiaoying Information Technology Co., Limited and Wisest Holding Co., Limited, which were owned by Mr. Dai Kebin ("**Mr. Dai**"), an executive director and Chairman of the board, Mr. Chen Xingmao ("**Mr. Chen**"), an executive director and Ms. Dai Keying, the sister of Mr. Dai, respectively.

On 27 March 2018, the Company entered into the Pre-IPO Investment Agreements with, among others, the Pre-IPO Investors who are the shareholders of Wisest other than Mr. Dai, Mr. Chen and four entities controlled by Mr. Dai, Ningbo Xinshi Online Finance Equity Investment Partnership (Limited Partnership) and Tibet Lingsheng Capital Investment Management Co., Ltd., pursuant to which the Company issued Convertible Preferred Shares to the Pre-IPO Investors. Pursuant to the agreement entered with Ningbo Xinshi Online Finance Equity Investment Partnership (Limited Partnership) and Tibet Lingsheng Capital Investment Management Co., Ltd., Wisest will repurchases the shares held by Ningbo Xinshi Online Finance Equity Investment Partnership (Limited Partnership) and Tibet Lingsheng Capital Investment Management Co., Ltd., representing 1.2% and 0.1% of shares of Wisest before restructuring.

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL INFORMATION (Continued)

1.2 Reorganization (Continued)

(ii) Restructuring of the Company (Continued)

The below table is a summary of the capitalization of the Company as of 11 June 2018:

Shareholders	Shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series A-3 Preferred Shares	Ownership percentage as of 11 June 2018
May Flower Information Technology Co., Limited	101,524,692	—	—	—	24.91%
Matrix Partners China I L.P. and Matrix Partners China I-A, L.P.	—	99,804,139	—	—	24.49%
Giant Lilly Investment Ltd	—	97,370,133	—	—	23.89%
Tenzing Holdings 2011, Ltd	—	30,464,038	—	—	7.47%
Sanqi Weilai (Tianjin) Enterprise Management Partnership (Limited Partnership)	—	—	5,452,724	27,312,231	8.04%
China Mobile Innovation Industry Fund (Shenzhen) Partnership (Limited Partnership)	—	—	—	13,435,471	3.30%
Huatai China Industry Power Investment Fund Limited Partnership	—	—	—	5,452,724	1.34%
Xiaoying Information Technology Co., Limited	13,598,226	—	—	—	3.34%
Wisest Holdings Co., Limited	13,145,086	—	—	—	3.22%
Total	128,268,004	227,638,310	5,452,724	46,200,426	100%

(iii) Acquisition of interests in Wisest

Pursuant to the Reorganization Framework Agreement dated 27 March 2018, the Group has designated TD Elite (HK) Information Technology Co., Limited to purchase the registered capital of Wisest, representing the capital held by all the registered shareholders (except for that held by Mr. Dai, Mr. Chen and four entities controlled by Mr. Dai).

Concurrently with such acquisitions of the registered capital of Wisest, TD Elite (HK) Information Technology Co., Limited entered into a capital increase agreement with Wisest and its registered shareholders, pursuant to which TD Elite (HK) Information Technology Co., Limited made a capital contribution to Wisest to subscribe the registered capital of Wisest, so as to increase TD Elite (HK) Information Technology Co., Limited's shareholding in Wisest to 70%. The remaining 30% shares in Wisest are held by Mr. Dai and his controlled four entities and Mr. Chen.

1 BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL INFORMATION (Continued)

1.2 Reorganization (Continued)

(iv) Establishment of Tiancai Youdao (Tianjin) Information Technology Co., Limited (the "Tiancai Youdao")

Pursuant to the Reorganization Framework Agreement on 27 March 2018, the Company established Tiancai Youdao as a wholly foreign-owned enterprise in the PRC with TD Elite (HK) Information Technology Co., Limited as its sole equity holder before the listing of the Company's shares of the Hong Kong Stock Exchange. The purpose of Tiancai Youcao is to provide technology services, network support, management consulting and related services, and to enter into the Contractual Arrangements.

(v) The Group commenced a series of reorganization activities and entered into a series of contractual arrangements (the "Contractual Arrangements") with Wisest, TD Elite (Tianjin) Information Technology Co., Ltd. (the "TD Elite") and Liedao Information Technology Co., Ltd. (the "Liedao")

Pursuant to the Reorganization Framework Agreement, after its establishment on 28 April 2018, Tiancai Youdao entered into the Contractual Arrangements with each of Wisest, Mr. Dai and Mr. Chen, 30% shareholders of Wisest and with each of TD Elite, Liedao and their respective registered shareholders. Due to applicable PRC laws and regulatory restriction on foreign ownership in the human resources intermediary and telecommunications industries and restrictions on foreign investors to own interests in entities holding the ICP License in the PRC, through the Contractual Arrangements and the 70% direct shareholding of Wisest, Tiancai Youdao controlled over the operations of, and enjoyed substantially all of the economic benefits of Wisest, TD Elite, Liedao and their respective subsidiaries, which in turn held certain of the Group's licenses and permits necessary to operate the businesses. Under these contractual agreements entered into with the registered owners of Wisest, TD Elite, Liedao and the 70% direct shareholding of Wisest, the Company and its other legally owned subsidiaries control these companies by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these companies to the Company and/or its other legally owned subsidiaries. As a result, they are presented as controlled structured entities of the Company.

All the transactions in the Reorganization were completed as a restructuring of entities under common control. Upon completion of the Reorganization, the Company became the holding company of all the companies now comprising the Group. The Company's direct and indirect interests in its subsidiaries are set out in note 14.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

Immediately prior to and after the Reorganization (see note 1.2), the Business of the Group had been held by Wisest and their subsidiaries. Pursuant to the Reorganization, Wisest and the Business of the Group has been transferred to and held by the Company. The Reorganization is merely a reorganization of the Business of the Group with no change in management of the Business. And majority of owners of such business remain the same. The Group resulting from the Reorganization is regarded as a continuation of the Business. The consolidated statements of financial position, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for 2017 have been prepared on the basis that the current group structure had been in existence throughout these periods, or since their respective dates of incorporation/establishment, or since the date when the combining companies first came under the control of the controlling shareholder, whichever is the shorter period. The financial information for the periods before Reorganization is presented using the carrying values of the Business now comprising the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— Financial assets measured at fair value and (see note 2(c) a); and

— Derivative financial instruments (see note 2(g)).

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) IFRS 9, *Financial instruments*

(ii) IFRS 15, *Revenue from contracts with customers*

(iii) IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9.

(i) IFRS 9, Financial instruments

IFRS 9 replaces IAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. Therefore, comparative information continues to be reported under IAS 39.

There is no retained earnings adjustments recognized for the consolidated statement of financial position that has been impacted by IFRS 9.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) IFRS 9, Financial instruments (Continued)

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

a Classification of financial assets and financial liabilities

IFRS 9 categorizes financial assets into three principal classification categories: measured at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9:

	Note	**IAS 39 carrying amount at 31 December 2017** *RMB'000*	**Reclassification** *RMB'000*	**IFRS 9 carrying amount at 1 January 2018** *RMB'000*
Financial assets measured at fair value-Investment in wealth management products	(i)	100,000	—	100,000
Financial assets measured at FVOCI (non-recyclable)				
Equity securities	(ii)	—	6,200	6,200
Financial assets classified as available-for-sale under IAS 39	(ii)	6,200	(6,200)	—

Notes:

(i) Under IAS 39, investment in wealth management products were classified as financial assets measured at fair value. They are classified as at FVPL under IFRS 9 (see note 21).

(ii) Under IAS 39, investment in equity securities not held for trading were classified as available-for-sale financial assets. Under IFRS 9, they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in Beijing Geekpark Management Consulting Co., Ltd. at FVOCI, as the investment is held for strategic purposes.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) ***IFRS 9, Financial instruments*** (Continued)

a *Classification of financial assets and financial liabilities* (Continued)

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. *Credit losses*

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognizes ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

— financial assets measured at amortized cost (including cash and cash equivalents and trade and other receivables); and

— lease receivables.

For further details on the Group's accounting policy for accounting for credit losses, see respective accounting policy note 2(l).

There is no material difference between the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 and the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

c. *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. There is no material difference in the carrying amounts of financial assets resulting from the adoption of IFRS 9. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) IFRS 9, Financial instruments (Continued)

c. *Transition* (Continued)

— The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

  — the determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group); and

  — the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognized for that financial instrument.

(ii) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognizing revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognized the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The adoption of IFRS 15 did not have a material impact on the consolidated financial statements except for presentation.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) *IFRS 15, Revenue from contracts with customers* (Continued)

Details of the nature and effect of the changes on previous accounting policies are set out below:

Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognized only if the Group has an unconditional right to consideration. If the Group recognizes the related revenue (see note 2(v) (i)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognized when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognizes the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. Previously, contract balances relating to "Receipts in advance" were presented in the statement of financial position under "Deferred revenue".

To reflect these changes in presentation, the Group have made the following adjustments as at 1 January 2018, as a result of the adoption of IFRS 15:

Receipts in advance amounting to RMB443,790 thousand was previously included in deferred revenue (note 25) is now included under contract liabilities (note 18);

(iii) *IFRIC 22, Foreign currency transactions and advance consideration*

This Interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognizing the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

(d) Functional and presentation currency

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Subsidiary and non-controlling interests

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(f) Associates and joint ventures

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Associates and joint ventures (Continued)

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

(g) Other investments in debt and equity securities

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

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

(A) Policy applicable from 1 January 2018

Equity investments

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

(B) Policy applicable prior to 1 January 2018

The Group did not have any held for trading instruments or debt securities classified as held-to-maturity securities.

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). When the investments were derecognized or impaired (see note 2(l)(i) — policy applicable prior to 1 January 2018), the cumulative gain or loss recognized in equity was reclassified to profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investment properties

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

(i) Recognition and measurement

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.

(ii) Depreciation

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

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

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

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

(i) Property, plant and equipment

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

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

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

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

(j) Intangible assets

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

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 2(l)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

— Software and others	3–10 years

Both the period and method of amortization are reviewed annually.

The Group has no intangible assets with indefinite useful life.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

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

(l) Credit losses and impairment of assets

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

(A) Policy applicable from 1 January 2018

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

— financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables);

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

— lease receivables;

Financial assets measured at fair value, equity securities designated at FVOCI (non-recycling) is not subject to the ECL assessment.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(A) Policy applicable from 1 January 2018 (Continued)

Measurement of ECLs

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

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

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(A) Policy applicable from 1 January 2018 (Continued)

Measurement of ECLs (Continued)

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

Significant increases in credit risk

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(A) Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk (Continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

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

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

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

— significant financial difficulties of the debtor;

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(A) Policy applicable from 1 January 2018 (Continued)

Write-off policy

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

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

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments and held-to-maturity debt securities). Under the "incurred loss" model, an impairment loss was recognized only when there was objective evidence of impairment. Objective evidence of impairment included:

— significant financial difficulties of the debtor;

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

— it becoming probable that the debtor will enter bankruptcy or other financial reorganization;

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

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(B) Policy applicable prior to 1 January 2018 (Continued)

If any such evidence existed, an impairment loss was determined and recognized as follows:

— For trade and other receivables and other financial assets carried at amortized cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognized to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

When the recovery of a trade debtor or other financial assets carried at amortized cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognized in profit or loss.

— For available-for-sale investments, the cumulative loss that had been recognized in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognized in profit or loss was the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

Impairment losses recognized in profit or loss in respect of available-for-sale equity securities were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognized in other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) Impairment of other non-current assets

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

— property, plant and equipment and investment properties;

— intangible assets; and

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

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

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

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(iii) Interim financial reporting and impairment

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

(m) Contract assets and contract liabilities

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

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

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

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

Policy prior to 1 January 2018

In the comparative period, amounts received before the related service was performed were presented as "Deferred revenue". Those balances have been reclassified on 1 January 2018 as shown in note 25.

(n) Trade and other receivables

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Cash and cash equivalents

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

(p) Trade and other payables

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

(q) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognized as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognized in accordance with the Group's policy for interest-bearing borrowings and accordingly dividends thereon are recognized on an accrual basis in profit or loss as part of finance costs.

(r) Convertible loans

The Group designates the convertible loans as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Subsequent to initial recognition, the convertible loans are carried at fair value with changes in fair value recognized in the profit or loss. The convertible loans are classified as current liabilities as they are due within one year.

When the loans are converted, the carrying amounts of the convertible loans are transferred to share capital and share premium as consideration for the shares issued. When the loans are redeemed, any difference between the amount paid and the carrying amounts of convertible loans is recognized in profit or loss.

(s) Employee benefits

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(ii) Share-based payment

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

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

(t) Income tax

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

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

— the same taxable entity; or

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

(u) Provisions and contingent liabilities

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

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

(v) Revenue and other income

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

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

(i) Revenue from services

Talent acquisition services provided to business customers

— *Subscription-based model:*

Under subscription-based model, the Group provides to the business customers a customized package of services, such services including online job posting, CV search, 360-degree CV downloading, intent communications with job candidates, invitations to apply for jobs, top display of job postings, etc.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

(i) Revenue from services (Continued)

— *Subscription-based model:* (Continued)

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

Each service is a performance obligation. At contract inception, the transaction price is allocated to each performance obligation on the basis of relative stand-alone selling price. The stand-alone selling prices are determined by observable price of a service when the Group sells that service separately in similar circumstances and to similar customers. The revenue from the consumption-based service is recognized upon the consumption of the individual service. The service that is not consumed within the contract period is recognized as revenue upon the expiry of the contract when the Group has no future obligation. The revenue from the time-based service is recognized on a straight-line basis over the contract period.

— *Transaction-based models:*

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

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

Professional career services provided to individual paying users

— *Professional career services:*

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

(ii) Rental income from operating leases

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

(iii) Government grants

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

(iv) Other contract cost

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

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

(w) Interest income

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

(x) Translation of foreign currencies

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Translation of foreign currencies (Continued)

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

(y) Borrowing costs

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

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

(z) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Related parties (Continued)

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

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

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

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

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

(aa) Segment reporting

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

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

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

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Fair value of share-based compensation payments

As mentioned in note 27, the Group has granted shares options to its employees. The Group has used Binomial option-pricing model to determine the total fair value of the options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility, dividend yield and IPO date, is required to be made by the Group in applying the Binomial option-pricing model.

(b) Deferred tax assets

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

4 REVENUE

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

(i) Disaggregation of revenue

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

	2018 *RMB'000*	2017 *RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Talent acquisition services to business customers	1,162,605	795,756
Professional career services to individual paying users	60,547	27,243
Revenue from other sources		
Rental income from investment property	2,156	1,663
	1,225,308	824,662

The Group's customer base is diversified. There was no customer with whom transactions have exceeded 10% of the Group's revenue in 2018.

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

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

Accordingly, no geographic information is presented.

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

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB646,894 thousand. This amount represents revenue expected to be recognized in the future from subscription service. The Group will recognize the expected revenue in future when the Group has no future obligation, which is expected to occur over the next 12 months.

4 REVENUE (Continued)

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

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

	2018 RMB'000	2017 RMB'000
Within 1 year	2,172	2,172
After 1 year but within 3 years	544	2,716
	2,716	4,888

5 OTHER INCOME

	2018 RMB'000	2017 RMB'000
Interest income from bank deposits	55,452	8,895
Investment income from wealth management products	1,833	2,777
Government grant	11,170	2,100
Others	1,457	1,571
	69,912	15,343

6 PROFIT BEFORE TAXATION IS ARRIVED AT AFTER CHARGING

	2018 RMB'000	2017 RMB'000
(a) Staff costs		
Salaries, wages and other benefits	707,335	486,986
Contributions to defined contribution retirement plan *(note)*	57,169	39,741
Share-based compensation expenses *(note 27)*	48,336	9,115
	812,840	535,842

Note: **Defined contribution retirement plan**

As stipulated by the regulations of the PRC, the Group participates in a defined contribution retirement plan organized by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 13% to 20% of the salaries, bonuses and certain allowances of the employees during the years of 2017 and 2018. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

(Expressed in RMB unless otherwise indicated)

6 PROFIT BEFORE TAXATION IS ARRIVED AT AFTER CHARGING (Continued)

	2018 RMB'000	2017 RMB'000
(b) Other items		
Depreciation of property, plant and equipment and investment property *(note 12)*	**12,329**	13,640
Amortization of intangible assets *(note 13)*	**2,192**	2,109
Credit losses of trade and other receivables *(note 30(a))*	**12,528**	3,307
Credit losses of available-for-sale financial assets	**—**	3,800
Operating lease charge	**54,465**	40,708
Share issuance cost	**47,184**	—
Auditors' remuneration-Audit service	**2,500**	908

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

7 NET FINANCE INCOME/(COST)

	2018 RMB'000	2017 RMB'000
Foreign currency exchange gain/(loss)	**19,407**	(25,699)
Fair value changes of convertible loans	**—**	(1,502)
Interest on bank loans	**(1,758)**	—
Bank charges and other finance costs	**(842)**	(504)
	16,807	(27,705)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2018	2017
	RMB'000	*RMB'000*
Current tax	**7,446**	—
Deferred tax	**—**	—
	7,446	—

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

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**10,189**	7,551
Tax calculated at a tax rate of 25% (2017: 25%)	**2,547**	1,888
Effect of different tax rates	**8,824**	—
Tax effect of non-deductible expenses	**8,830**	5,017
Tax effect of unused tax losses not recognized	**17,482**	—
Utilization of tax losses previously not recognized	**(30,237)**	(6,905)
Actual tax expense	**7,446**	—

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

As disclosed in note 28, there are cumulative tax losses in the Group's PRC subsidiaries.

9 DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' emoluments

Details of directors' emoluments are as follows:

Year ended 31 December 2018

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

Year ended 31 December 2017

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Share-based compensation expenses *RMB'000*	Total *RMB'000*
Directors:						
Mr. Dai Kebin	—	665	—	53	—	718
Mr. Chen Xingmao	—	963	—	53	—	1,016
Ms. Xu Lili	—	1,110	—	53	—	1,163
Total	—	2,738	—	159	—	2,897

Note:

Mr. Dai, Mr. Chen and Ms. Xu Lili were appointed as executive director of the Company on 30 January 2018, 23 March 2018 and 23 March 2018, respectively. All the executive directors are key management personnel of the Group and their remuneration disclosed above represents those for services rendered by them as key management personnel.

9 DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, 2 (2017: 1) are directors whose emolument is disclosed in Note 9 (a). The aggregate of the emoluments in respect of other 3 (2017: 4) individuals are as follows:

	2018 *RMB'000*	2017 *RMB'000*
Salaries, bonuses and other emoluments	3,903	4,713
Share-based compensation expenses	9,725	—
Retirement scheme contributions	85	212
	13,713	4,925

The emoluments of the above individuals with the highest emoluments are within the following bands:

	2018 Number of Individual(s)	2017 Number of Individual(s)
HKD1,000,001–HKD1,500,000	1	4
HKD3,000,001–HKD3,500,000	1	—
HKD10,500,001–HKD11,000,000	1	—

10 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2018			2017		
	Before-tax amount *RMB'000*	Tax (expense)/ benefit *RMB'000*	Net-of-tax amount *RMB'000*	Before-tax amount *RMB'000*	Tax (expense)/ benefit *RMB'000*	Net-of-tax amount *RMB'000*
Exchange differences on translation of: financial statements of the company and overseas subsidiaries	94,675	—	94,675	—	—	—
Other comprehensive income	94,675	—	94,675	—	—	—

Note: Exchange differences arising from the subsidiaries incorporated in 2018.

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB7,737 thousand (2017: the profit of RMB8,998 thousand) and the weighted average of 454,704 thousand ordinary shares in issue during the year (2017: 389,886 thousand ordinary shares in issue upon the completion of reorganization were deemed to have been issued since 1 January 2017 and adjusted for the effect of convertible loan converted in 2017), calculated as follows:

Weighted average number of ordinary shares

	2018 '000	2017 '000
Issued ordinary shares at 1 January	412,775	389,886
Effect of shares repurchased	(3,986)	—
Effect of loan converted to shares	—	13,559
Effect of issuance of shares	44,603	—
Effect of share options exercised	1,312	—
Weighted average number of ordinary shares at 31 December	454,704	403,445

11 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB7,737 thousand (2017: the profit of RMB8,998 thousand) and the weighted average number of ordinary shares of 483,209 thousand shares (2017: 389,886 thousand ordinary shares in issued upon the completion of reorganization were deemed to have been issue since 1 January 2017 and adjusted for the effect of convertible loan converted in 2017), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2018	2017
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders (basic and diluted)	**7,737**	8,998

(ii) Weighted average number of ordinary shares (diluted)

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**454,704**	403,445
Effect of deemed issue of shares under the Company's share option scheme for consideration	**28,505**	—
Weighted average number of ordinary shares (diluted) at 31 December	**483,209**	403,445

12 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

The Group	Buildings and structure RMB'000	Motor vehicles RMB'000	Office equipment, and others RMB'000	Leasehold improvements RMB'000	Sub-total RMB'000	Investment properties RMB'000	Total RMB'000
Cost:							
At 1 January 2017	32,529	1,658	27,388	22,714	84,289	—	84,289
Additions	—	448	3,007	2,041	5,496	—	5,496
Disposals	—	—	(678)	—	(678)	—	(678)
Transfer to investment properties	(32,529)	—	—	—	(32,529)	32,529	—
At 31 December 2017 and 1 January 2018	—	2,106	29,717	24,755	56,578	32,529	89,107
Additions	—	281	9,457	6,821	16,559	—	16,559
Disposals	—	—	(2,174)	—	(2,174)	—	(2,174)
At 31 December 2018	—	2,387	37,000	31,576	70,963	32,529	103,492
Accumulated depreciation:							
At 1 January 2017	(2,405)	(484)	(13,368)	(8,065)	(24,322)	—	(24,322)
Charge for the year	(342)	(339)	(6,652)	(5,621)	(12,954)	(686)	(13,640)
Written back on disposal	—	—	565	—	565	—	565
Transfer to investment properties	2,747	—	—	—	2,747	(2,747)	—
At 31 December 2017 and 1 January 2018	—	(823)	(19,455)	(13,686)	(33,964)	(3,433)	(37,397)
Charge for the year	—	(404)	(6,648)	(4,246)	(11,298)	(1,031)	(12,329)
Written back on disposal	—	—	2,050	—	2,050	—	2,050
At 31 December 2018	—	(1,227)	(24,053)	(17,932)	(43,212)	(4,464)	(47,676)
Net book value:							
At 31 December 2018	—	1,160	12,947	13,644	27,751	28,065	55,816
At 31 December 2017	—	1,283	10,262	11,069	22,614	29,096	51,710

The Group leases the building under a leasehold interest to earn rental income from April 2017. Therefore the building was reclassified to investment properties in April 2017, the fair value as at 31 December 2018 of the Group's investment properties was RMB49.9 million (2017: RMB59.9 million), which are categorized into Level 3 in the fair value hierarchy. The fair value amount is valued under market approach.

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

13 INTANGIBLE ASSETS

	Software and others RMB'000	Capitalized development costs RMB'000	Total RMB'000
Cost:			
At 1 January 2017	13,423	—	13,423
Additions	8	—	8
At 31 December 2017 and 1 January 2018	13,431	—	13,431
Additions	1,367	5,447	6,814
Transfer to software	5,447	(5,447)	—
At 31 December 2018	20,245	—	20,245
Accumulated amortization:			
At 1 January 2017	(2,717)	—	(2,717)
Charge for the year	(2,109)	—	(2,109)
At 31 December 2017 and 1 January 2018	(4,826)	—	(4,826)
Charge for the year	(2,192)	—	(2,192)
At 31 December 2018	(7,018)	—	(7,018)
Net book value:			
At 31 December 2018	13,227	—	13,227
At 31 December 2017	8,605	—	8,605

The amortization charge for the year is included in "cost of revenue", "general and administrative expenses" and "research and development expenses" in the consolidated statement of profit or loss.

(Expressed in RMB unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES

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

Company names	Note	Place and date of incorporation/ establishment	Paid-up capital registered capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by the subsidiary	Type of business	Principal activities
TD Elite (HK) Information Technology Co., Ltd. 同道精英(香港)信息技術有限公司		Hong Kong 11/2017	1 ordinary share	100%	100%	—	—	Investing holding company
Wisest (Beijing) Management Consulting Co., Ltd. 萬仕道(北京)管理諮詢股份有限公司	(i)	Beijing, PRC 04/2016	RMB39,746,000	100%	—	100%	Equity Joint Ventures	Talent services
Liedao Information Technology Co., Ltd. 獵道信息技術有限公司*	(ii)	Tianjin, PRC 04/2014	RMB2,000,000/ RMB50,000,000	100%	—	100%	Limited Liability Company ("LLC")	Talent services
Tiancai Youdao (Tianjin) Information Technology Co., Limited 天才有道(天津)信息技術有限公司		Tianjin, PRC 04/2018	USD10,000	100%	—	100%	Wholly Foreign-Owned Enterprises	Talent services
INS Network (Beijing) Information Technology Co., Ltd. 英仕互聯(北京)信息技術有限公司*		Beijing, PRC 11/2010	RMB323,154,922	100%	—	100%	LLC	Talent services
TD Information Technology Co., Ltd. 同道匯才(天津)信息技術有限公司*		Tianjin, PRC 06/2014	RMB50,000,000	100%	—	100%	LLC	Talent services
TD Elite (Tianjin) Information Technology Co., Ltd. 同道精英(天津)信息技術有限公司*		Tianjin, PRC 07/2015	RMB1,002,000/ RMB12,000,000	100%	—	100%	LLC	Talent services
CGL Consulting Co., Ltd 上海德築企業管理有限公司		Shanghai, PRC 11/2017	RMB4,081,630	51%	—	51%	LLC	Talent services

* The official name of this entity is in Chinese. The English name is for identification purpose only.

Notes:

(i) The Group has 70% equity ownership in Wisest. The Group controls the remaining 30% of Wisest through the Contractual Agreements as defined below between the Group, Wisest and its 30% equity owners.

(ii) The Group does not have legal ownership in equity of these structured entities. Nevertheless, under certain contractual agreements (the "**Contractual Agreements**") entered into with the registered owners of these structured entities, the Company and its other legally owned subsidiaries control these companies by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these companies to the Company and/or its other legally owned subsidiaries. As a result, they are presented as controlled structured entities of the Company.

All companies comprising the Group have adopted 31 December as their financial year end date.

15 INTEREST IN ASSOCIATE

The following table sets out the particulars of the associate of the Group, which is an unlisted corporate entity whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Registered capital	Held by the subsidiary	Principal activities
Shanghai Xunhou Human Resources Co., Ltd *(note)*	Incorporated	The PRC	RMB4,192,520	38.90%	Human Resources

Note: In October 2018, the Group entered into an investment agreement with, among others, Shanghai Xunhou Human Resources Co., Ltd. ("**Xunhou**"), a PRC company engaging in the business of online career service for undergraduates and fresh graduates, pursuant to which the Group agreed to acquire certain registered capital in Xunhou from its existing shareholders for a total consideration of RMB2,904 thousand and agreed to subscribe for additional registered capital in Xunhou for a total consideration of RMB16,500 thousand. The Group holds approximately 38.90% of the enlarged registered capital of Xunhou.

Aggregate information of associate that is not individually material:

	2018 *RMB'000*	2017 *RMB'000*
Aggregate carrying amount of associate in the consolidated financial statements	**18,444**	—
Aggregate amounts of the group's share of associate's loss for the year	**(960)**	—
Total comprehensive income	**(960)**	—

16 OTHER FINANCIAL ASSETS

	Notes	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Equity securities designated at FVOCI (non-recycling)				
— Unlisted equity securities	(i)	7,700	6,200	—
Financial assets measured at FVPL				
— Unlisted equity securities	(ii) (iii)	98,218	—	—
Available-for-sale financial assets				
— Unlisted equity securities	(i)	—	—	6,200
		105,918	6,200	6,200

Notes:

(i) Available-for-sale financial assets were reclassified to equity securities designated at FVOCI (non-recycling) upon the initial application of IFRS 9 at 1 January 2018 (see note 2(c)(i)), which are equity securities the Group invested in unlisted companies.

(ii) In 2018, the Group acquired 14.59% of the enlarged registered capital of MoSeeker Inc. ("**MoSeeker**") for a total consideration of RMB43,238 thousand. MoSeeker is a company incorporated in the Cayman Islands, which mainly engaged in providing talent search app and relating services. It is classified as at FVPL under IFRS 9.

(iii) In December 2017, the Group acquired approximately 9.97% of the enlarged registered capital of Unicareer (Shanghai) Education Technology Co., Ltd. ("**Unicareer**") for a total consideration of RMB54,980 thousand. Unicareer is a PRC company engaging in the business of online and offline career training for students and employees. Such investment is classified as at FVPL under IFRS 9.

17 OTHER NON-CURRENT ASSETS

	31 December 2018 **RMB'000**	31 December 2017 RMB'000
Prepayments to suppliers	**2,775**	—
Advertisement deposits	**4,386**	3,360
	7,161	3,360

18 CONTRACT LIABILITIES

	Notes	**31 December 2018** **RMB'000**	1 January 2018 (i) RMB'000	31 December 2017 (i) RMB'000
Contract liabilities				
— Billings in advance of service	(ii)	**636,992**	443,790	—

Notes:

(i) The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

(ii) Upon the adoption of IFRS 15, these amounts were reclassified from "deferred revenue" (note 25) to contract liabilities (see note 2(c)(ii)).

Under subscription-based model services, the Group normally receives all of the subscription service fee upfront, this will give rise to the contract liabilities at the start of each contract. Contract liabilities will be recognized as revenue upon the providing of services or on a straight-line basis over the contract period.

The contract liability balance as at 1 January 2018 was all recognized as revenue during the year. All the billings in advance of service are expected to be recognized as revenue within one year.

19 TRADE RECEIVABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Trade receivables — measured at amortized cost	**36,019**	18,462

Notes: The adoption of IFRS 9 to recognize ECLs on trade receivables had no material impact on its opening balance as at 1 January 2018.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for credit loss, is as follows:

	2018 RMB'000	2017 RMB'000
Within 60 days	**22,392**	17,513
60 days to 1 year	**11,566**	949
Over 1 year	**2,061**	—
	36,019	18,462

Details on the Group's credit policy and credit risk arising from trade receivable are set out in note 30(a).

20 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Prepayments to suppliers	**11,588**	12,273
Other receivables	**24,542**	3,510
Interest receivable	**35,987**	3,712
	72,117	19,495

21 OTHER CURRENT ASSETS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Rental deposits	15,080	10,072
VAT recoverable	13,624	9,938
Investment in wealth management products	50,414	100,000
	79,118	120,010

The investment in wealth management products is issued by banks in the PRC with variable interest rate due within one year.

22 TIME DEPOSITS WITH BANKS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Time deposits with banks	2,587,426	398,586

Time deposits, which mature within one year as of the end of reporting period, represent interest-bearing certificates of deposit with a maturity of more than three months when purchased.

23 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Bank deposits with a maturity of three months or less	415,155	—
Demand deposits with banks	233,176	251,234
Cash on hand	—	111
Cash and cash equivalents	648,331	251,345

23 CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Bank loans *RMB'000*	Redeemable preference shares *RMB'000*	Convertible loans *RMB'000*	Total *RMB'000*
At 1 January 2017	—	—	300,835	300,835
Changes from financing cash flows:				
Repayment of convertible loans (RMB30M subsequently invested in the Group) *(note 26)*	—	—	(92,638)	(92,638)
Total changes from financing cash flows	—	—	208,197	208,197
Other changes:				
Changes in fair value	—	—	1,502	1,502
Conversion to shares *(note 26)*	—	—	(209,699)	(209,699)
At 31 December 2017 and 1 January 2018	—	—	—	—
Changes from financing cash flows:				
Proceeds from new bank loans	352,765	—	—	352,765
Repayment of bank loans	(352,765)	—	—	(352,765)
Borrowing costs paid	(1,758)	—	—	(1,758)
Total changes from financing cash flow	(1,758)	—	—	(1,758)
Other changes:				
Interest expenses *(note 7)*	1,758	—	—	1,758
At 31 December 2018	—	—	—	—

24 TRADE AND OTHER PAYABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Trade payables to third parties	31,384	16,047
Salary and welfare payable	85,481	68,536
Other tax payables	12,920	12,967
Other payables	21,840	10,665
	151,625	108,215

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade payables to third parties, based on the invoice date is as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within 30 days	30,877	14,184
30 days to 1 year	507	1,863
	31,384	16,047

25 DEFERRED REVENUE

	31 December 2018 RMB'000	1 January 2018 *(Note)* RMB'000	31 December 2017 *(Note)* RMB'000
Deferred revenue			
— Billings in advance of service	—	—	443,790

Note: Upon the adoption of IFRS 15, amounts previously included as "billings in advance of service" under "deferred revenue" were reclassified to contract liabilities (see note 2(c)(ii)).

26 CONVERTIBLE LOANS

	RMB'000
At 1 January 2017	300,835
Change in fair value	1,502
Repayment of convertible loans	(92,638)
Conversion to shares *(note 29(c)(iii))*	(209,699)
At 31 December 2017 and 1 January 2018	—

The balance as at 1 January 2017 represented fair value of loans from Shanghai Weiyi Investment Management Centre (Limited Partnership), Beijing Tianshi Kaiyuan I Investment Fund Management Centre (Limited Partnership), Tianhong Innovative Asset Management Co., Ltd., Tibet Lingsheng Capital Investment Management Co., Ltd., Shanghai Chuangji Investment Centre (Limited Partnership) and Ningbo Xinshi Online Finance Equity Investment Partnership (Limited Partnership), all the loans were converted to the Group's share in 2017. No convertible loan was issued in 2018.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Group has a share option scheme which was adopted on 1 January 2012 whereby the directors of the Group are authorized, at their discretion, to invite employees of the Group, to take up options to subscribe for shares of the Group. The options vest after one to four years from the date of grant and are then exercisable within a period of ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares. The options granted to certain employees are only exercisable upon the Company's IPO.

(a) The number and weighted average exercise prices of share options are as follows:

	2018		2017	
	Weighted average exercise price ***RMB***	**Number of options**	Weighted average exercise price *RMB*	Number of options
Outstanding at the beginning of the period	**0.186**	**24,592,342**	0.186	25,745,698
Exercised during the period	**0.184**	**14,959,836**	—	—
Forfeited during the period	**8.312**	**129,576**	0.186	1,153,356
Granted during the period	**8.011**	**11,522,745**	—	—
Outstanding at the end of the period	**4.399**	**21,025,675**	0.186	24,592,342
Exercisable at the end of the period	**0.184**	**9,832,451**	0.186	7,680,652

(Expressed in RMB unless otherwise indicated)

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) The number and weighted average exercise prices of share options are as follows: (Continued)

The weighted average share price at the date of exercise for shares options exercised during the year was RMB26.32 (2017: Nil).

The options outstanding at 31 December 2018 had an exercise price of RMB0.184 or RMB0.86 or RMB12.20 or RMB17.16 (2017: RMB0.186) and a weighted average remaining contractual life of 7.8 years (2017: 6.9 years).

(b) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model.

	2018 *RMB*
Fair value at measurement date	**12.55–22.32**
Share price	**11.76–24.18**
Exercise price	**0.184–17.158**
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	**45%**
Expected dividends	**—**
Risk-free interest rate	**2.40%-2.93%**

(c) Shares award granted by CGL Consulting Co., Ltd

On 22 December 2017, CGL Consulting Co., Ltd, a subsidiary of the Company, granted 49% of its equity to its founder with a fair value of RMB12 million. The share awards are vesting in tranches of 25% each per annum from the date of grate in arrears.

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Deferred tax assets not recognized

In accordance with the accounting policy set out in note 2(t), the Group has not recognized deferred tax assets in respect of cumulative tax losses of RMB222 million (2017: RMB275 million). The tax losses will expire from 2019 to 2023.

29 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2018		—	—	—	—	—	—
Changes in equity for the period ended at 31 December 2018:							
Loss for the period		—	—	—	—	(32,463)	(32,463)
Other comprehensive income		—	—	—	152,741	—	152,741
Total comprehensive income		—	—	—	152,741	(32,463)	120,278
Capitalization issuance	*29(c)(vi)*	263	302,928	—	—	—	303,191
Group reorganization	*29(c)(v)*	—	—	85,681	—	—	85,681
Issuance of shares for the IPO, net of issuance cost	*29(c)(vii)*	59	2,370,040	—	—	—	2,370,099
Shares issued under share option scheme		10	44,402	(41,632)	—	—	2,780
Share-based compensation expenses	*6(a)/27/ 29(c)*	—	—	40,732	—	—	40,732
		332	2,717,370	84,781	—	—	2,802,483
Balance at 31 December 2018		332	2,717,370	84,781	152,741	(32,463)	2,922,761

(b) Dividends

The board of directors of the Company has resolved not to declare dividend for the year ended 31 December 2018.

29 CAPITAL AND RESERVES (Continued)

(c) Share capital

(i) Issued share capital

Prior to the Reorganization, share capital in the consolidated statement of financial position represents the share capital of Wisest, the holding company of the entities comprised the Group.

	Notes	2018 No. of shares '000	2018 RMB'000	2017 No. of shares '000	2017 RMB'000
Ordinary shares, issued and fully paid:					
At 1 January		31,785	31,785	2,375	2,375
Capitalization upon conversion of a subsidiary of the Company into a joint stock Company	(ii)	—	—	27,625	27,625
Conversion of convertible loans into capital	(iii)	—	—	1,785	1,785
Repurchase of own shares	(iv)	(402)	(402)	—	—
Group reorganization	(v)	(31,383)	(31,383)	—	—
Capitalization issuance	(vi)	407,559	263	—	—
Issuance of shares for the initial public offering ("IPO")	(vii)	88,000	59	—	—
Shares issued under share option scheme	(viii)	14,960	10	—	—
At 31 December		510,519	332	31,785	31,785

(ii) Capitalization upon conversion of Wisest into a joint stock company

On 11 April 2017, Wisest was converted into a joint stock company with limited liability by converting total equity as at 31 December 2016 into 30,000 thousand ordinary shares of nominal value of RMB1.00 each. Excess of total equity of Wisest over the nominal value of total issued share capital has been recognized as "capital reserves" in the consolidated statement of financial position.

(iii) Conversion of convertible loans into capital

In 2017, Shanghai Chuangji Investment Centre (Limited Partnership) converted the loans to shares of the Group with nominal value of RMB1 each, which included share capital of RMB190 thousand, and capital reserve of RMB33,493 thousand.

In 2017, Ningbo Xinshi Online Finance Equity Investment Partnership (Limited Partnership), Shanghai Weiyi Investment Management Centre (Limited Partnership), Beijing Tianshi Kaiyuan I Investment Fund Management Centre (Limited Partnership), Tianhong Innovative Asset Management Co., Ltd. and Tibet Lingsheng Capital Investment Management Co., Ltd. converted the loans to shares of the Group with nominal value of RMB1 each, which included share capital of RMB1,595 thousand, and capital reserve of RMB267,059 thousand.

29 CAPITAL AND RESERVES (Continued)

(c) Share capital (Continued)

(iv) Purchase of own shares

In 2018, the Company repurchased the shares held by Ningbo Xinshi Online Finance Equity Investment Partnership (Limited Partnership) and Tibet Lingsheng Capital Investment Management Co., Ltd. in the amount of RMB72,645 thousand and RMB6,500 thousand, respectively, representing 1.2% and 0.1% of shares, respectively. The shares of Ningbo Xinshi Online Finance Equity Investment Partnership (Limited Partnership) were repurchased by settling the balance of receivables from a shareholder of RMB62,638 thousand as at 31 December 2017, and a cash payment of RMB10,007 thousand in 2018.

(v) Group reorganization

The amount arose from the acquisition of equity interest in the Wisest by TD Elite (HK) Information Technology Co., Ltd. during the Group reorganization.

(vi) Capitalization issuance

In 2018, the directors were authorized to allot and issue a total of 407,559,464 shares with nominal value of USD0.0001 each, with RMB263 thousand and RMB1,055,342 thousand recorded in share capital and share premium, respectively.

(vii) Issuance of shares for the initial public offering

On 29 June 2018, 88,000,000 new shares with nominal value of USD0.0001 each were issued at a price of HKD33 per share by way of initial public offering. The total proceeds less the issuance costs directly attributable to the issue of shares, amount to HKD2,810,787 thousand (equivalent to RMB2,370,099 thousand), with HKD69 thousand (equivalent to RMB59 thousand) and HKD2,810,718 thousand (equivalent to RMB2,370,040 thousand) recorded in share capital and share premium, respectively. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB78,264 thousand were treated as a deduction against the share premium arising from the issuance.

(viii) Equity settled share-based transactions

The Group has a share option scheme which was adopted on 1 January 2012 whereby the directors of the Group are authorized, at their discretion, to invite employees of the Group, to take up options to subscribe for shares of the Group (11,284,963 share options were granted during the six months ended 30 June 2018). The options vest after one to four years from the date of grant and are then exercisable within a period of ten years. The options granted to certain employees are only exercisable upon the completion of Company's IPO, which was completed on 29 June 2018. In 2018, certain options were exercised to subscribe for 14,959,836 ordinary shares with nominal value of USD0.0001 each. The total consideration was RMB2,780 thousand, RMB10 thousand of which was credited to share capital and RMB2,770 thousand was credited to share premium.

29 CAPITAL AND RESERVES (Continued)

(d) Capital reserve

The capital reserve comprises the following:

— Capital premium of Wisest;

— Paid-in capital of the entities comprising the Group, after elimination;

— the portion of the grant date fair value of share options granted to employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in note 2(s)(ii);

— deemed distribution arising from reorganization as disclosed in note 1.

(e) Capital management

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

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

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2018 was 21.97% (2017: 58.79%).

There were no changes in the Group's approach to capital management during the years ended 31 December 2018 and 2017. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bank deposits are limited because the counterparties are reputable banks, for which the Group considers to have low credit risk. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The Group does not have significant concentration of debtors as of 31 December 2018 and 2017.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 30–60 days from the date of invoice. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at 31 December 2018:

	Expected loss rate %	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Current (not past due)	0.50%	22,505	113
1–305 days past due	8.00%	12,572	1,006
More than 305 days past due	90.00%	20,608	18,547
		55,685	19,666

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

Comparative information under IAS 39

Prior to 1 January 2018, an impairment loss was recognized only when there was objective evidence of impairment (see note 2(I)(i)(B) — policy applicable prior to 1 January 2018). At 31 December 2017, trade receivables of RMB7,138 were determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017 *RMB'000*
Neither past due nor impaired	17,513
1–305 days past due	949
	18,462

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Comparative information under IAS 39 (Continued)

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

	2018 *RMB'000*	2017 *RMB'000*
Balance at 31 December 2017 under IAS 39	**7,138**	3,831
Impact on initial application of IFRS 9 *(note 2(c)(i))*	**—**	—
Balance at 1 January	**7,138**	3,831
Credit losses recognized during the year	**12,528**	3,307
Balance at 31 December	**19,666**	7,138

Increase in aging of trade receivables resulted in an increase in loss allowance during 2018.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The undiscounted contractual cash outflows of the Group's non-derivative financial liabilities, which are trade and other payables and contract liabilities, at the end of the reporting period equal to their carrying values and the earliest date the Group can be required to pay is within one year or on demand.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Currency risk

The Group is exposed to currency risk primarily through deposit on bank which gives rise to cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD. The Group manages this risk as follows:

(i) Recognized assets and liabilities

In respect of deposits denominated in foreign currencies, the Group ensures that the exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rates at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	2018 United States Dollars	2017 United States Dollars
Cash and cash equivalents	**7,781**	29,210
Time deposits with banks	**428,881**	398,586
Gross exposure arising from recognized assets and liabilities	**436,662**	427,796

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's results after tax and retained profits/(accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2018		2017	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax and retained profits**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits
		RMB'000		RMB'000
USD	10%	37,805	10%	32,085
	(10%)	(43,663)	(10%)	(32,085)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' results after tax and retained profits/(accumulated loss) measured in the respective functional currencies, translated into RMB at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

— level 3 valuations: Fair value measured using significant unobservable inputs

The fair value measurements of the Group's investments in wealth management products are categorized into Level 2, unlisted equity securities are categorized into Level 3 in the fair value hierarchy. Valuation reports with analysis of changes in fair value measurement is prepared for material equity security investments and is reviewed and approved by the chief financial officer.

		Fair value measurements as at 31 December 2018 categorized into				Fair value measurements as at 31 December 2017 categorized into		
	Fair value at 31 December 2018 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value at 31 December 2017 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements								
Assets:								
— Investment in wealth management products	50,414	—	50,414	—	100,000	—	100,000	—
— Unlisted equity securities	105,918	—	—	105,918	6,200	—	—	6,200

During the years of 2017 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(Expressed in RMB unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Fair value measurement (Continued)

(i) Financial assets measured at fair value (Continued)

Fair value hierarchy (continued)

Investments in wealth management products are measured at fair values in the consolidated statement of financial position. The Group benchmarks the costs against fair values of comparable investments as of the end of each reporting period, and categorized all fair value measures of bank financial products as Level 2 of the fair value hierarchy because they are valued using directly or indirectly observable inputs in the market place.

Information about Level 3 fair value measurements:

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Unlisted equity securities	Market approach/ Income approach	Discount for lack of marketability	19% to 20%	20%

The fair value of unlisted equity securities is determined using the total equity value of unlisted equity securities adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2018, it is estimated that with all other variables held constant, a discount for lack of marketability by 1% would have decreased the total equity value by USD244 thousand for MoSeeker and RMB4,285 thousand for Unicareer.

During the years of 2018 and 2017, there were no change in fair value of the unlisted equity security investments held by the Group.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Fair value measurement (Continued)

(i) *Financial assets measured at fair value* (Continued)

Fair value hierarchy (continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2018 RMB'000	2017 RMB'000
Unlisted equity securities:		
At 1 January	6,200	11,500
Purchase consideration	99,072	—
Exchange differences	646	—
Gain on fair value changes	—	—
Disposal	—	(1,500)
Impairment	—	(3,800)
At 31 December	105,918	6,200
Convertible loans:		
At 1 January	—	300,835
New loans	—	—
Loss on fair value changes	—	1,502
Convert into equity	—	(302,337)
At 31 December	—	—

31 COMMITMENTS

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	40,825	31,361
After 1 year but within 5 years	74,778	70,454
	115,603	101,815

The Group leases a number of office premises under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the leases after that date. Lease payments are usually increased every year to reflect market rentals. None of the leases includes contingent rentals.

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in note 9(a) and certain of the highest five paid employees as disclosed in note 9(b) is as follows:

	2018 RMB'000	2017 RMB'000
Salaries, wages and other benefits	6,770	5,183
Contributions to defined contribution retirement	258	264
Share-based compensation expenses	12,825	125
	19,853	5,572

Total remuneration is included in "staff costs" (see note 6(a)).

(b) Financing arrangements

		Amounts owed to the Group by related parties As at 31 December		Amounts owed by the Group to related parties As at 31 December	
	Notes	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Temporary borrowings from entities controlled by members of key management personnel		–	–	–	2,004
Temporary borrowings to entities controlled by members of key management personnel		–	2,000	–	–
Other receivable proceeds from share issued under share option	(i)	2,752	–	–	–

(i) The outstanding balances with these related parties are included in "Prepayments and other receivables" (note 20).

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2018 RMB'000
Non-current assets	
Investments in subsidiaries	2,746,740
Other financial assets	43,238
	2,789,978
Current assets	
Cash and cash equivalents	135,465
	135,465
Current liability	
Trade and other payables	2,682
	2,682
Net current assets	132,783
Total assets less current liability	2,922,761
NET ASSETS	2,922,761
Share capital	332
Reserves	2,922,429
TOTAL EQUITY	2,922,761

Approved and authorised for issue by the board of directors on 28 March 2019.

Dai Kebin	)	
	)	Directors
Xu Lili	)	

34 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 26 March 2019, Liepin (HK) Information Technology Co., Limited, a wholly-owned subsidiary of the Company ("**Liepin (HK)**") entered into two investment term sheets with Changsha Ranxing Information Technology Co., Ltd. ("**Changsha Ranxing**") and Mr. Hu Xiao, and Nantong Chengwei Changqing Equity Investment Partnership (Limited Partnership) respectively (all third parties independent of the Company and its connected persons). Pursuant to the investment term sheets, Liepin (HK) conditionally agreed to invest in 75% equity interest in Changsha Ranxing for a total consideration of RMB944.76 million. The total consideration will be settled by the Company partly in cash and partly by either transferring or issuing of consideration shares of the Company. Upon completion of the acquisition, Changsha Ranxing will become a non-wholly-owned subsidiary of the Company. Changsha Ranxing primarily engages in the provision of Internet services in China with its main product Wenjuanxing (問卷星) which is a leading online questionnaire software-as-a-service (SaaS) platform in China. The Board believes that the above investment will help strengthen and expand the service coverage of the Group, and further improve the Group's ability to provide users with comprehensive talent services.

35 COMPARATIVE FIGURES

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

(Expressed in RMB unless otherwise indicated)

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 16, Leases	1 January 2019
IFRIC 23, Uncertainty over income tax treatments	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle	1 January 2018
Amendments to IAS 28, Long-term interest in associates and joint ventures	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. The adoption of IFRS 16 is not expected to have a material impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

IFRS 16, Leases

As disclosed in note 2(k), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognize and measure a lease liability at the present value of the minimum future lease payments and will recognize a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognize interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognizing rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognized on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for office premises which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statements of profit or loss over the period of the lease.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by IFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. The Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognize the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

IFRS 16, Leases (Continued)

As disclosed in note 31, at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB116 million for office premises, the majority of which is payable either between 1 and 5 years after the reporting date or within 1 year. Upon the initial adoption of IFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB80 million and RMB82 million respectively, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statements from 2019 onwards.

PARTICULARS OF PROPERTY HELD FOR INVESTMENT

Location	Exiting Use	Lease term	Attributable interest of the Group
8/F, Block 2, Zhubang 2000 Business Building, No. 99 Balizhuangxili Road Sub-District Office (Township), Chaoyang District (County), Beijing	Commercial	Medium lease	100%

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and equity of the Group for the last four financial years, as extracted from the published audited financial information and financial statements is set out below.

	Year ended 31 December			
	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**1,225,308**	824,662	587,099	345,608
Profit/(loss) from operations	**(5,658)**	35,256	(143,908)	(238,746)
Net finance (cost)/income	**16,807**	(27,705)	4,180	8,030
Profit/(loss) before tax	**10,189**	7,551	(139,728)	(230,716)
Income tax expense	**(7,446)**	—	—	—
Profit/(loss) for the year and total comprehensive income	**2,743**	7,551	(139,728)	(230,716)
Total comprehensive income for the year attributable to:				
Owners of the Company	**7,737**	8,998	(139,179)	(230,716)
Non-controlling interests	**(4,994)**	(1,447)	(549)	—
	2,743	7,551	(139,728)	(230,716)
ASSETS, LIABILITIES AND EQUITY				
Total assets	**3,623,577**	942,411	773,677	320,793
Total liabilities	**(796,059)**	(554,009)	(709,591)	(499,863)
Net assets/(liabilities)	**2,827,518**	388,402	64,086	(179,070)
Equity attributable to the equity holders of the Company	**2,828,695**	384,585	64,135	(179,070)
Non-controlling interests	**(1,177)**	3,817	(49)	—
Total equity	**2,827,518**	388,402	64,086	(179,070)