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Application Proof of

WANKA ONLINE INC.

(the "Company")

(Incorporated in the Cayman Islands with limited liability)

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IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

WANKA ONLINE INC.

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Total number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED] and [REDACTED])**
[REDACTED]	**:**	**HK$[REDACTED] per Share, plus [REDACTED] (payable in full on application and subject to [REDACTED])**
Nominal value	**:**	**US$[0.0000002] per Share**
[REDACTED]	**:**	**[●]**

Joint Sponsors, [REDACTED]

CICC 中金公司 citi ICBC 工银国际 MACQUARIE

(in alphabetical order)

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EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

CONTENTS

This document is issued by our Company solely in connection with the [REDACTED] and the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this document in any jurisdiction other than Hong Kong.

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SUMMARY

This summary aims to give you an overview of the information contained in this document and should be read in conjunction with the full text of this document. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document, including our financial statements and the accompanying notes, before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks of investing in the [REDACTED] are set forth in the section headed "Risk Factors." You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are an innovative technology company in the mobile Internet market, helping connect businesses from various industries to hundreds of millions of Android-based smartphone users in China. Based on our proprietary AI platform, we have built close collaboration with most leading Chinese branded smartphone manufacturers, which has enabled us to reach the largest smartphone user base in China.

In addition to monetizing from providing mobile advertising services to marketers, we have recently expanded into online game co-publishing and online-video distribution businesses. We believe our first mover advantage in helping connect isolated Android-based systems of Chinese smartphone manufacturers will enable us to expand into additional verticals in the future and empower businesses to promote and deliver their contents and services to smartphone users in more efficient and innovative manners.

We have built our services based on artificial intelligence and data analytics capabilities embedded in our platform. It enables us to precisely and efficiently target Android-based smartphones users, and deliver personalized, real-time and scenario-based content from our marketers through smartphone manufacturers' native mobile apps and user interfaces. We continually refine our big data analytics, optimize the effectiveness of our services and increase our operational efficiency as we scale up our business.

We have created a vibrant Android-based mobile ecosystem consisting of smartphone manufacturers, marketers from different industries and app developers. We offer smartphone manufacturers additional revenue streams with high profit margin and growth potential besides selling devices. Leveraging the massive user base accumulated by smartphone manufacturers, we provide marketers with innovative and cost-effective ways to optimize their online marketing efforts. For app developers, we have established and implemented unified technical standards to streamline their development process.

We have grown rapidly since our inception. During the Track Record Period, we generated our revenue primarily from mobile advertising services to marketers from various industries, and we will continue to diversify our revenue streams. Our revenue grew from RMB15.3 million in 2015 to RMB485.6 million in 2017, representing a CAGR of 463.5%. The number of mobile games and mobile apps we marketed grew from five in 2015 to 2,817 in 2017.

OUR BUSINESS MODEL

We have built our business model within the ecosystem we created leveraging our sophisticated artificial intelligence and data analytics technologies embedded in our DAPG platform. During the Track Record Period, we generated revenue from addressing the advertising needs of marketers from various industries through the delivery of personalized marketing content to smartphone users. Our major services to ecosystem participants include the following:

- ***Services to Marketers***. We offer innovative customized platform-based solutions to a diverse customer base across a wide range of industries, including primarily mobile advertising, game publishing and digital entertainment. Based on our DAPG platform, we analyze anonymized user data provided by smartphone manufacturers and deliver personalized advertising and video content created by our marketer customers to the targeted audiences. We also provide certain game developers with customized game co-publishing services by leveraging our extensive industry expertise and proprietary technical know-how in the mobile game industry.

- ***Support to Mobile App Developers***. With the large customer base, our DAPG platform enables us to develop and implement unified technical standards for the development and distribution of Android-based mobile apps. Such unification lowers the development costs for app developers and facilitates the distribution of their apps and games in multiple outlets.

- ***Support to Smartphone Manufacturers***. We provide technological support to certain smartphone manufacturers on a project-by-project basis, through which we enable smartphone manufacturers to maximize their monetization potentials and shore up their user base.

OUR STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors: (1) pioneering technology and service provider in China's mobile Internet market; (2) proprietary platform propelled by robust artificial intelligence and data analytics technologies; (3) highly scalable business model with huge monetization potential; and (4) visionary and experienced management team with in-depth industry expertise.

OUR STRATEGIES

To achieve our goal, we plan to pursue the following business strategies: (1) strengthen our artificial intelligence and data analytics capabilities; (2) foster our ecosystem and expand our service offerings; (3) enhance our market presence by expanding our sales network; (4) promote Quick Apps to set technical standards for smartphone industry; and (5) pursue selective strategic alliances and strategic investments.

OUR INDUSTRY

There is a large and growing base of smartphone users in China. According to the F&S Report, the number of China's smartphone users increased from 565.0 million in 2013 to 822.2 million in 2017 at a CAGR of 9.8%, and the user base is projected to reach 1,211.0 million in 2022 at a CAGR of 7.4% from 2017 to 2022. Meanwhile, the smartphone penetration rate increased from 46.2% in 2013 to 58.6% in 2017, and is expected to reach 74.9% in 2022, according to the F&S Report. The underlying growth drivers of China's smartphone user base include higher mobile Internet penetration resulting from continuous mobile technology and wireless technology innovations as well as the increasing affluence of Chinese consumers.

With this rapid growth, the two major mobile operating systems, Android and iOS, are projected to retain their dominant positions in China's market. In 2017, Android and iOS collectively accounted for 99.7% of China's smartphone operating systems market, and are projected to account for 99.9% by 2022, according to the F&S Report. Specifically, Android system overwhelmingly dominates China's smartphone operating system market with a market share of 86.2% in 2017, which is projected to reach 89.1% by 2022, according to the F&S Report.

SUMMARY

The Mobile Hardcore Alliance ("MHA") comprises seven major Chinese smartphone manufacturers, including Huawei, Oppo, Vivo, Coolpad, Gionee, Lenovo and Meizu, all of which produce Android system-based devices. While China's domestic smartphone shipments reached 444.3 million units in 2017, total smartphone shipments by MHA members accounted for 62.1%, reaching 275.8 million units, according to the F&S Report. The MHA members' domestic shipments are projected to reach 322.2 million units by 2022, accounting for a market share of 69.1%, according to the F&S Report.

OUR CUSTOMERS AND SUPPLIERS

Our customers include marketers seeking to market their mobile games and apps and advertising agencies which provide services to marketers. Our top five customers accounted for 99.2%, 76.8% and 26.9%, respectively, of our total revenues in 2015, 2016 and 2017. Although we have an increasingly diversified base of customers, we may be subject to concentration and counter-party risk from our major customers. Our suppliers include smartphone manufacturers and other suppliers of content distribution channels on smartphones. As of December 31, 2017, we maintained business relationship with our top five suppliers, most of which are MHA members, for one to three years. We work with non-smartphone manufacturer suppliers of distribution channels which distribute contents on channels owned by other suppliers. We also offer advertising services to advertising agencies that obtain contents from marketers. Therefore, it is commercially reasonable for an entity that represent both marketers and distribution channel suppliers to be both our customer and supplier. In 2015 and 2017, none of our top five suppliers was also one of our top five customers, or vice versa. In 2016, one of our top five suppliers was also a top five customer, and contributed to 7.3% of our cost of sales and 9.2% of our revenue. We incurred a gross loss of RMB0.3 million in working with this entity.

RISK FACTORS

Our business involves certain risks, which are set out in "Risk Factors." You should read that section in its entirety carefully before you decide to invest in [REDACTED]. Certain major risks we face include the following:

- We require an open source operating system, namely Android, to be run on smartphones in order for our data analysis and content delivery to be implemented. Any changes to the specifications of or a declining popularity to such operating system may have material and adverse impacts on our operation and financial condition.

- Our limited operating history makes it difficult to evaluate our business and growth prospects, and our historical results of operations and financial performance during the Track Record Period may not be indicative of our future prospects.

- We depend on our strategic partnerships with a limited number of smartphone manufacturers and cooperation with certain suppliers of content distribution channels who provide us with distribution channels and access to a massive user base. Any loss or deterioration of our relationship with such smartphone manufacturers or suppliers may result in the loss of user base and revenues.

- We generated all of our revenues from mobile advertising services during the Track Record Period. A decline in our advertising revenue resulting from our failure to retain existing advertising customers or attract new ones, or our failure to attract sufficient spending from our customers, could harm our business and results of operations.

- We are subject to risks associated with operating in a rapidly developing and evolving industry.

SUMMARY OF FINANCIAL INFORMATION

The summary of historical consolidated financial statements set forth below should be read in conjunction with our consolidated financial statements included in the Accountants' Report set out in Appendix I to this document, together with the accompanying notes, which have been prepared in accordance with HKFRS. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

The following table sets forth selected line items of a summary consolidated statements of profit and loss of our Group for the periods indicated.

	Year ended December 31,		
	2015	2016	2017
	(RMB in thousands)		
REVENUE	15,295	40,552	485,636
Cost of sales	(17,045)	(54,358)	(439,638)
Gross profit/(loss)	(1,750)	(13,806)	45,998
Other income and gains	1,017	2,133	961
Selling and distribution expenses	(1,142)	(2,017)	(5,712)
Research and development cost	(7,017)	(10,189)	(15,866)
Administrative expenses	(3,709)	(4,056)	(8,665)
Other expenses and losses	(5)	(32)	(1,976)
Share-based payment expenses	(502)	(28,297)	(1,866)
OPERATING PROFIT/(LOSS)	(13,108)	(56,264)	12,874
Finance costs	—	(1,710)	(3,528)
Fair value losses on preferred shares	(3,053)	(35,405)	(134,443)
Fair value losses of warrants	—	(4,748)	(16,239)
LOSS BEFORE TAX	(16,161)	(98,127)	(141,336)
Income tax expense	—	—	(3,758)
LOSS FOR THE YEAR	(16,161)	(98,127)	(145,094)
Add:			
Depreciation	112	363	443
Amortization of intangible assets	—	—	2,239
Finance cost	—	1,710	3,528
Income tax	—	—	3,758
Share-based payment expenses	502	28,297	1,866
Fair value losses on preferred shares	3,053	35,405	134,443
Fair value losses of warrants	—	4,748	16,239
Adjusted EBITDA for the year (unaudited)[(1)]	(12,494)	(27,604)	17,422
Loss for the year	(16,161)	(98,127)	(145,094)
Add:			
Share-based compensation	502	28,297	1,866
Fair value losses on preferred shares	3,053	35,405	134,443
Fair value losses of warrants	—	4,748	16,239
Adjusted net profit/(loss) (unaudited)	(12,606)	(29,677)	7,454

(1) Adjusted EBITDA eliminates the effect of interest income and expense, tax expenses, depreciation expenses, amortization expense, share-based compensation, and fair value losses on financial instruments. The term of adjusted

EBITDA is not defined under HKFRS. The use of adjusted EBITDA has material limitations as an analytical tool, as it does not include all items that impact our net profit or loss for the year. We compensate for these limitations by reconciling this financial measure to the nearest HKFRS performance measure, which should be considered when evaluating our performance. See "Financial Information—Non-HKFRS Measures."

We generate income from providing mobile advertising services to marketers from various industries. Our cost of sales primarily represents distribution fees paid to content distribution channels.

Our revenue grew significantly from RMB15.3 million in 2015 to RMB485.6 million in 2017, primarily due to the significant increase in the number of marketer customers we serve, enabled by the relationships we built with smartphone manufacturers since our inception and their willingness to allow us to monetize their channels.

The following table sets forth selected line items of a summary consolidated statements of financial position of our Group as of the dates indicated.

	As of December 31,		
	2015	2016	2017
	(RMB in thousands)		
Non-current assets	622	1,360	37,896
Current assets	38,911	34,785	287,815
Current liabilities	22,345	30,598	135,858
Non-current liabilities	22,414	82,409	362,325
Net liabilities	(5,226)	(76,862)	(172,472)

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended December 31,		
	2015	2016	2017
	(RMB in thousands)		
Net cash flows used in operating activities	(13,048)	(16,212)	(174,823)
Net cash flows (used in)/generated from investing activities	(20,710)	9,987	9,350
Net cash flows generated from financing activities	40,987	331	170,760
Net increase/(decrease) of cash and cash equivalents	7,229	(5,894)	5,287
Cash and cash equivalents at beginning of the year	6,181	13,495	8,157
Cash and cash equivalents at the end of the year	13,495	8,157	11,490

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated.

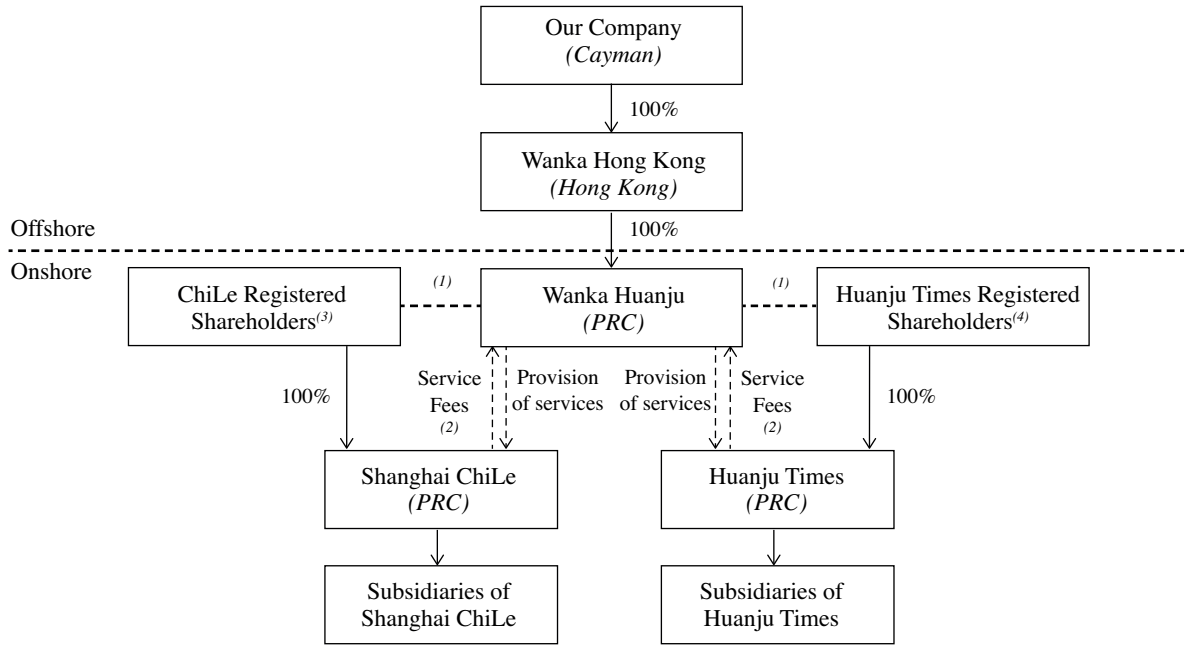
	As of/for the year ended December 31,		
	2015	2016	2017
Gross profit/loss margin	(11.4%)	(34.0%)	9.5%
Net loss margin	(105.7%)	(242.0%)	(29.9%)
Adjusted net profit/(loss) margin	(82.4%)	(73.2%)	1.5%
Current ratio	1.7	1.1	2.1
Return on total assets	N/A	(259.3%)	(80.2%)

For the calculation and discussion of these ratios, see "Financial Information—Key Financial Ratios."

CONTRACTUAL ARRANGEMENTS

Our Contractual Arrangements

The operation of our Consolidated Affiliated Entities are subject to various foreign ownership restrictions under PRC laws and regulations. We therefore do not own any equity interest in any of our Consolidated Affiliated Entities. In order to maintain and exercise control over our Consolidated Affiliated Entities, we have adopted the Contractual Arrangements. The Contractual Arrangements allow us to enjoy the economic benefits of our Consolidated Affiliated Entities and consolidate their results of operations into ours. See "Contractual Arrangements." The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



→ Beneficial ownership in equity interests

⇢ Beneficial ownership through contractual arrangements

(1) Control of WFOE over the Registered Shareholders through (1) Exclusive Option Agreements, (2) Equity Pledge Agreements, and (3) Voting Rights Proxy Agreements and Powers of Attorneys

(2) Control of WFOE over the business of Consolidated Affiliated Entities through Exclusive Business Cooperation Agreements

(3) The ChiLe Registered Shareholders refer to the registered shareholders of Shanghai ChiLe. Shanghai ChiLe is owned as to 51% by Mr. Gao and 49% by Beijing Jinchi Guangxin Technology Co., Ltd. (北京金池廣信科技股份有限公司), which in turn is owned as to 38.5% by Mr. HUA Xinjiang (華新江), 56% by Tibet Jiukun Investment Consulting Co., Ltd. (西藏九坤投資諮詢有限公司) and 5.5% by Shanghai Jiazhuo Investment Limited Partnership (上海嘉茁投資合夥企業(有限合夥)). Both Tibet Jinkun Investment Consulting Co., Ltd. and Shanghai Jiazhuo Investment Limited Partnership are controlled by Mr. HUA Xinjiang.

(4) The Huanju Times Registered Shareholders refer to the registered shareholders of Huanju Times. Huanju Times is owned as to 72% by Mr. Gao and 28% by Mr. Zheng.

Draft Foreign Investment Law

The MOFCOM published a discussion draft of a proposed Foreign Investment Law (the "Draft FIL") in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in the PRC. The MOFCOM solicited comments on this draft in early 2015 and substantial uncertainties exist with respect to its final form, enactment timetable, interpretation and implementation. The Draft FIL, if enacted as proposed, may materially impact the entire legal framework regulating foreign investment in the PRC. As of the Latest Practicable Date, the Draft FIL is in draft form only, and there is no certainty as to whether, or a definite timeline as to when, the finalized/new Foreign Investment Law will come into effect, and, more importantly, whether it is to be promulgated in the current draft form. The MOFCOM has neither issued any definite rules or regulations to govern existing contractual arrangements, nor any regulations concerning the treatment of investors from Hong Kong, Macau and Taiwan who control a domestic enterprise. For details of the Draft FIL and its promulgation status, see "Contractual Arrangements."

After consulting with our PRC legal advisors and based on their advice, we have adopted a series of arrangements and measures to mitigate any potential risk and fulfill the relevant requirements under the Draft FIL. For details, see "Contractual Arrangements."

For the risks relating to the Contractual Arrangements, see "Risk Factors—Risks Relating to Our Contractual Arrangements."

OUR SHAREHOLDING STRUCTURE

Our Controlling Shareholders

As of the Latest Practicable Date, Mr. Gao and Mr. Zheng were, through the acting-in-concert arrangement under the Concert Party Agreement, together legally and beneficially interested in 39.70% of the total issued share capital of our Company. Immediately after the completion of the [REDACTED] (assuming no exercise of [REDACTED] and taking into no account of any Shares to be issued upon exercise of any option that may be granted pursuant to the Post-[REDACTED] Share Option Scheme), Mr. Gao and Mr. Zheng will together be legally and beneficially interested in approximately [REDACTED]% of our enlarged issued share capital and thus will continue to be controlling shareholders of our Company.

There is no competition between the business of our Controlling Shareholders (other than their interests in our Group) and our business. Even though our Controlling Shareholders provided certain loans and guaranteed certain of our loans granted by commercial banks, our Directors believe that we are capable of carrying out our business independently of our Controlling Shareholders and their close associates as we primarily financed our business through private equity investment in the post and we are capable of independently generating sufficient revenue and financing to support our future development. See "Relationship with Our Controlling Shareholders" for further details.

We will carry out certain continuing connected transactions with our Controlling Shareholders in the Contractual Arrangements after the [REDACTED]. See "Connected Transactions."

Pre-[REDACTED] Investments

We have introduced reputable financial institutions and smartphone manufacturers such as PICCAMCHK, Lenovo, Coolpad, Meizu, Gionee and NLVC, as our Pre-[REDACTED] Investors through Pre-[REDACTED] Investments since our inception. For details of our Pre-[REDACTED] Investments, see "Our History and Development — Pre-[REDACTED] Investments."

Share Incentive Schemes

We adopted a share option scheme on March 31, 2016, which was amended, restated and replaced by a restricted share unit scheme on May 24, 2018, namely the 2016 Share Incentive Scheme. Pursuant to the 2016 Share Incentive Scheme, 6,250,000 Shares (before 2018 Share Subdivision) was issued by us to the RSU Nominee on May 24, 2018. As of the Latest Practicable Date, we had granted RSUs representing an aggregate of 4,938,724 Shares (before 2018 Share Subdivision) to 60 grantees under the 2016 Share Incentive Scheme and the outstanding 1,311,276 Shares (before 2018 Share Subdivision) will be reserved for future grants after the [REDACTED]. We have conditionally approved and adopted the Post-[REDACTED] Share Option Scheme on [●]. See "Appendix IV — Statutory and General Information — D. Share Incentive Schemes" for details.

DIVIDENDS

We are a holding company incorporated under the laws of Cayman Islands. Any dividends we pay will be at the discretion of our Directors and will depend on, among others, the availability of dividends received from our subsidiaries and Consolidated Affiliated Entities, our earnings, capital and investment requirements, level of indebtedness, and other factors that our Directors deems relevant. During the Track Record Period, no dividends had been paid or declared by us. We do not have a fixed dividend payout ratio.

CHILE ACQUISITION

On March 12, 2018, we acquired Shanghai ChiLe and all its subsidiaries and consolidated them into our Group through certain contractual arrangements (the "ChiLe Acquisition") to expand our business into online-video distribution services, in consideration for which, we issued to Goodluckshome Inc., a company wholly-owned by Mr. HUA Xinjiang, who was the previous controller of Shanghai ChiLe, 12,024,632 Class B Ordinary Shares (before 2018 Share Subdivision). After the ChiLe Acquisition, Mr. HUA Xinjiang became a connected person of our Company. The ChiLe Acquisition constituted an acquisition of major subsidiary under Rule 4.05A of the Listing Rules. The pre-acquisition financial information of Shanghai ChiLe and its subsidiaries for the three years ended December 31, 2017 is included in the Accountants' Report set out in Appendix I to this document.

RECENT DEVELOPMENTS

In January 2018, we began to generate revenue from providing game co-publishing services to mobile game developers.

From January 2018 to May 2018, we completed certain Pre-[REDACTED] Investments from certain of our Pre-[REDACTED] Investors, including, among others, PICCAMCHK and NLVC. See "Our History and Development — Pre-[REDACTED] Investments" for details.

In March 2018, we acquired Shanghai ChiLe and all its subsidiaries.

Our Directors confirm that, up to the date of this document, save as disclosed above, there had been no material adverse change in our financial, operating or trading conditions since December 31, 2017, being the end of the period reported in the Accountants' Report set out in Appendix I to this document.

STATISTICS OF THE [REDACTED]

All statistics in the following table are based on the assumption that: (1) the [REDACTED], the 2018 Share Subdivision and the 2018 Share Re-designation has been completed; (2) the [REDACTED] is not exercised; and (3) [REDACTED] Shares are to be issued and outstanding following the completion of the [REDACTED]:

	Based on an [REDACTED] of HK$[REDACTED] per share	**Based on an [REDACTED] of HK$[REDACTED] per share**
Market value of Shares	HK$[REDACTED]	HK$[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets[(1)]	HK$[REDACTED]	HK$[REDACTED]

(1) The unaudited [REDACTED] adjusted consolidated net tangible assets attributable to owners of the Company per Share as of December 31, 2017 is calculated after making the adjustments referred to in Appendix II to this document.

[REDACTED] EXPENSES

We expect to incur a total of RMB[REDACTED] million of [REDACTED] expenses (assuming an [REDACTED] of HK$[REDACTED], being the mid-point of the indicative [REDACTED] range between HK$[REDACTED] and HK$[REDACTED], and assuming that the [REDACTED] is not exercised) until the completion of the [REDACTED], of which approximately RMB[REDACTED] million will be charged to the consolidated statements of profits or loss and RMB[REDACTED] million will be capitalized upon completion of the [REDACTED]. [REDACTED] expenses represent professional fees and other fees incurred in connection with the [REDACTED]. The [REDACTED] expenses above were the best estimate as at the Latest Practicable Date and were for reference only and the actual amount may differ from this estimate.

USE OF [REDACTED]

Assuming the [REDACTED] is not exercised and assuming the [REDACTED] is fixed at HK$[REDACTED] per Share (being the mid-point of the indicative range of the [REDACTED] of HK$[REDACTED] to HK$[REDACTED] per Share), we estimate that the [REDACTED] of the [REDACTED], after deducting the estimated [REDACTED] and expenses payable by us in connection with the [REDACTED], will be approximately HK$[REDACTED] million. We intend to use the [REDACTED] from the [REDACTED] for the purposes and in the amounts set out below:

- approximately 30% of the [REDACTED], or HK$[REDACTED] million, for investments in our technology and research and development teams to support the development of new applications and features for, and enhancements of, our DAPG platform; specifically, we plan to focus on improving our user profiling capabilities, adopting more advanced algorithm-based computation technologies, and enhancing our real-time analytics and data matching capabilities;

- approximately 30% of the [REDACTED], or HK$[REDACTED] million, for investments to promote the development standard of Quick Apps by providing ongoing technical support and guidance, improving the Quick App distribution platform and attracting global mobile app developers to engage in Quick App development;

- approximately 15% of the [REDACTED], or HK$[REDACTED] million, for investments to expand our service offerings by adopting a multi-screen strategy, as well as to strengthen our ecosystem by introducing more smartphone manufacturers into our ecosystem;

- approximately 15% of the [REDACTED], or HK$[REDACTED] million, for investments to expand our monetization channels and to strengthen our sales and marketing capabilities by increasing the size of our sales force, penetrating new markets and engaging third-party sales agencies; and

- approximately 10% of the [REDACTED], or HK$[REDACTED] million, for working capital and general corporate uses.

For further details, see "Future Plans and [REDACTED]."

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material legal, arbitral or administrative proceedings ongoing, pending or, to our knowledge, threatened against us or any of our Directors that could have a material and adverse effect on our business, financial condition or results of operations. Save for the lack of certain licenses for operating our online culture and online publishing businesses, we did not experience any material or systemic non-compliance incidents. See "Business — Legal Proceedings and Compliance" for details.

Unless the context otherwise requires, the following expressions have the following meanings in this document. Certain other terms are explained in the section headed "Glossary" in this document.

"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
	[REDACTED]
"Articles of Association" or "Articles"	our articles of association, as adopted on [●], and as amended from time to time, a summary of which is contained in Appendix III to this document
"associate"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Beijing JinChi"	Beijing JinChi Guangxin Technology Co., Ltd. (北京金池廣信科技股份有限公司), a company incorporated under the laws of the PRC with limited liability on May 13, 2009, which holds 49% of the equity interests in Shanghai ChiLe
"Beijing Jingzhe"	Beijing Jingzheshiji Information Technology Co., Ltd. (北京驚蟄世紀信息技術有限公司), a company incorporated under the laws of the PRC with limited liability on November 15, 2006, wholly-owned by Huanju Times
"Board" or "Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	British Virgin Islands
"Cayman Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented, or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct participant or a general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"ChiLe Consolidated Affiliated Entities" or "Target Group"	Shanghai ChiLe and its subsidiaries
"ChiLe Registered Shareholders"	shareholders of Shanghai ChiLe from time to time
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this document, Hong Kong, Macau and Taiwan
"Class A Ordinary Shares"	class A ordinary shares in the share capital of our Company before the [REDACTED]
"Class B Ordinary Shares"	class B ordinary shares in the share capital of our Company before the [REDACTED]
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "Wanka," "Group," "our Group," "we" or "us"	Wanka Online Inc., a company incorporated under the laws of Cayman Islands with limited liability on November 7, 2014, and, except where the context indicated otherwise, all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of the Contractual Arrangements, or with respect to the period before our Company became the holding company of our current subsidiaries, the business operated by our present subsidiaries or their predecessors (as the case may be)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely Shanghai ChiLe and Huanju Times, and their respective subsidiaries

"Contractual Arrangements"	a series of contractual arrangements we entered into to allow our Company to exercise control over the business operation of the Consolidated Affiliated Entities and enjoy all the economic interests derived therefrom, as more particularly described in the section headed "Contractual Arrangements" in this document
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Gao, Mr. Zheng, Wanka Media Limited and Countryside Tech Inc.
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of the Company or any one of them
"F&S Report"	a commissioned report from Frost & Sullivan, the industry consultant of our Company
"[REDACTED]"	the [REDACTED] and the [REDACTED] [REDACTED]
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC [REDACTED]

[REDACTED]

"Huanju Times"	Huanju Times Culture Media (Beijing) Co., Ltd. (歡聚時代文化傳媒(北京)有限公司), a company established in the PRC on March 7, 2014, owned by Mr. Gao and Mr. Zheng as to 72% and 28% of its share capital, respectively
"Huanju Times Consolidated Affiliated Entities"	Huanju Times and its subsidiaries
"Huanju Times Registered Shareholders"	shareholders of Huanju Times, namely Mr. Gao and Mr. Zheng
"independent third party(ies)"	a party which is not connected (as defined in the Listing Rules) to our Company or our connected persons

[REDACTED]

	[REDACTED]
"Latest Practicable Date"	June 24, 2018, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Memorandum"	Our memorandum of association, conditionally approved and adopted on [●] and to become effective on the [REDACTED], as amended, supplemented or otherwise modified from time to time
"MHA"	Mobile Hardcore Alliance, a network of seven Android smartphone manufacturers in China, namely Huawei, Oppo, Vivo, Coolpad, Gionee, Lenovo and Meizu
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOCT"	Ministry of Culture and Tourism of the PRC (中華人民共和國文化和旅遊部), the successor of the Ministry of Culture of the PRC (中華人民共和國文化部)

"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Gao"	Mr. GAO Dinan (高弟男), our chairman of the Board, executive Director, chief executive officer and one of our Controlling shareholders
"Mr. Zheng"	Mr. ZHENG Wei (鄭煒), our vice chairman of the Board, executive Director and one of our Controlling shareholders
"NDRC"	National Development and Reform Commission the PRC (中華人民共和國國家發展和改革委員會)
	[REDACTED]
"Ordinary Shares"	Class A Ordinary Shares and Class B Ordinary Shares
	[REDACTED]
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Preferred Shares"	series pre-A preferred shares, series A-1 preferred shares, series A-2 preferred shares, series B preferred shares, series B+ preferred shares and series C preferred shares of our Company
"Pre-[REDACTED] Investment"	the Pre-[REDACTED] investments in our Company undertaken by the Pre-[REDACTED] Investors, details of which are set out in the section headed "Our History and Development" in this document
"Pre-[REDACTED] Investor"	KIP Overseas, Shengshang VC, MIC, Gionee, Lenovo, Coolpad, NLVC, ADV, Investnet, China Creation Ventures, Meizu, Richland, PICCAMCHK, Goodluckshome Inc., KIP Bright and Richforest

	[REDACTED]
"QAA"	Quick App Alliance, a network of ten major Android smartphone manufacturers, namely Xiaomi, Huawei, ZTE, Gionee, Lenovo, Meizu, Nubia, Oppo, Oneplus and Vivo
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"related parties"	has the meaning as set out in the paragraph headed "Related parties" under Note 2.3 to part II of the Accountants' Report set out in Appendix I to this document
"RMB"	Renminbi, the lawful currency of the PRC
"RSU(s)"	restricted share units granted pursuant to the 2016 Share Incentive Scheme
"RSU Nominee"	Wanka Alliance Limited, a limited liability company incorporated under the laws of BVI and a wholly-owned subsidiary of the RSU Trustee, holding 62,500,000 Shares underlying the RSUs pursuant to the 2016 Share Incentive Scheme as of the Latest Practicable Date, an independent third party
"RSU Trustee"	The Core Trust Company Limited, a company incorporated on September 25, 2012 and existing under the laws of Hong Kong, an independent third party
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration for Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAIC"	State Administration for Industry & Commerce of the PRC (國家市場監督管理總局)
"SART"	State Administration of Radio and Television of the PRC (國家廣播電視總局), the successor of State Administration of Press, Publication, Radio, Film and Television (國家新聞出版廣電總局)
"SAT"	State Administration of Taxation of the PRC (國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai ChiLe"	Shanghai ChiLe Information Technology Co., Ltd. (上海池樂信息科技有限公司), a company incorporated under the laws of the PRC with limited liability on June 18, 2014, owned by Mr. Gao and Beijing JinChi as to 51.0% and 49.0% of its share capital, respectively
"Shanghai Langdao"	Shanghai Langdao Information Technology Co., Ltd. (上海狼道信息科技有限公司), a company incorporated under the laws of the PRC with limited liability on July 27, 2016, wholly-owned by Shanghai ChiLe
"Share Subdivisions"	the 2017 Share Subdivision and the 2018 Share Subdivision
"Shares"	shares of our Company, as of the Latest Practicable Date, Ordinary Shares and Preferred Shares, where applicable; upon the [REDACTED], ordinary shares in the share capital of the Company with a par value of US$0.0000002 each
"Shareholder(s)"	holder(s) of Shares
"Post-[REDACTED] Share Option Scheme"	the share option scheme conditionally adopted by the Company on [●], the principal terms of which are summarized in "Appendix IV — Statutory and General Information — D. Share Incentive Scheme — 2. Post-[REDACTED] Share Option Scheme"
	[REDACTED]
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Track Record Period"	the period consisting of the three years ended December 31, 2015, 2016 and 2017
	[REDACTED]
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "US dollars"	United States dollars, the lawful currency of the United States

"Wanka Hainan"	Wanka Huanju Culture Media (Hainan) Co., Ltd. (玩咖歡聚文化傳媒(海南)有限公司), a company incorporated under the laws of the PRC with limited liability on June 1, 2017, wholly-owned by Huanju Times
"Wanka Hong Kong"	Wanka Holdings Limited (玩咖控股有限公司(香港公司)), a limited liability company incorporated in Hong Kong on June 6, 2014, and our directly wholly-owned subsidiary
"Wanka Huanju" or "WFOE"	Wanka Huanju Cultural Media (Beijing) Co., Ltd. (玩咖歡聚文化傳媒(北京)有限公司), a company established in the PRC on October 10, 2014, and our wholly-owned subsidiary
"Wanka Juchuan"	our self-operated mobile app submission platform (玩咖聚傳)
"Wanka Sichuan"	Sichuan Wanka Huanju Culture Media Co., Ltd. (四川玩咖歡聚文化傳媒有限公司), a company incorporated under the laws of the PRC with limited liability on November 20, 2017, wholly-owned by Huanju Times
"Wanka Tianjin"	Wanka Huanju Culture Media (Tianjin) Co., Ltd. (玩咖歡聚文化傳媒(天津)有限公司), a company incorporated under the laws of the PRC with limited liability on June 9, 2017, wholly-owned by Huanju Times
	[REDACTED]
"Xinjiang ChiLe"	Xinjiang ChiLe Information Technology Co., Ltd (新疆池樂信息科技有限公司), a company incorporated under the laws of the PRC with limited liability on September 26, 2016, wholly-owned by Shanghai ChiLe
	[REDACTED]
"%"	per centum
"2016 Share Incentive Scheme"	the share incentive scheme adopted by the Company on January 6, 2016 which was amended, restated and replaced in its entirety by a restricted share unit scheme on May 24, 2018, with effect from January 6, 2016

"2017 Share Subdivision"	the share subdivision on November 15, 2017, where each of our issued and unissued share of US$0.0001 par value was subdivided into 50 shares of our Company with a par value of US$0.000002 such that the authorized share capital of our Company was US$50,000 divided into 25,000,000,000 Shares of US$0.000002 par value each
"2018 Share Re-designation"	the re-designation of the Ordinary Shares and the Preferred Shares to ordinary shares of our Company of US$0.0000002 par value each on the [REDACTED]
"2018 Share Subdivision"	the subdivision on [●], where each of our issued and unissued Share of US$0.000002 par value was subdivided into 10 shares of our Company with a par value of US$0.0000002 each such that the authorized share capital of our Company was US$50,000 divided into 250,000,000,000 Shares of US$0.0000002 par value each

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

In this document, the terms "associate," "close associate," "core connected person," "connected person," "connected transaction," "controlling shareholder," "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Unless specifically indicated otherwise, all references to our Shares in this document takes into account of the Share Subdivisions. See "Our History and Development" for details.

GLOSSARY

This glossary of technical terms contains explanations of certain technical terms used in this documents. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"AI"	artificial intelligence
"app" or "mobile app"	application software designed to run on smartphones and other mobile devices
"app store"	a type of digital distribution platform for computer software, often in a mobile context
"artificial intelligence"	intelligence demonstrated by machines, in contrast to the natural intelligence displayed by humans and other animals
"big data analysis"	the use of advanced analytic techniques against very large, diverse date sets to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information that can help organizations make more-informed business decisions
"CAGR"	compound annual growth rate
"CPA"	cost per action, an online advertising pricing model, similar to CPL but with a higher bar, where the advertiser only pays for a completed sale
"CPC"	cost per click, an online advertisement pricing model where the advertiser pays a publisher each time the advertisement is clicked
"CPD"	cost per download, an online advertisement pricing model where the app advertiser pays a publisher each time the app is downloaded
"CPL"	cost per lead, an online advertisement pricing model where the advertiser pays publishers when an user views an advertisement on the site, clicks the advertisement, and then takes a further action to become a prospective customer
"CPM"	cost per impression, an online advertisement pricing model where the advertiser pays a publisher each thousand times the advertisement is displayed
"CPS"	cost per sale, an online advertisement pricing model where the publisher is paid on the basis of the number of sales that are directly generated by an advertisement

GLOSSARY

"CPT"	cost per time, an online advertising pricing model where the advertiser pays for an online advertisement for a set amount of time
"DAPG"	Data AI Platform Group, our proprietary platform powered by artificial intelligence technologies
"domain name"	an identification string that defines a realm of administrative autonomy, authority or control within the Internet
"marketer(s)"	advertiser customer(s) or brand owner(s) in online advertising, online game developing, digital entertainment and other industries
"mobile Internet"	browser-based Internet services accessed from handheld mobile devices, such as smartphones or feature phones, through a mobile or other wireless network
"OS"	operating system, which is a system software that manages computer or smartphone hardware and software resources and provides common services for their programs
"platform"	the environment in which a piece of software is executed
"Quick App"	mobile application ecosystem that allows instant usage without having to visit any app store or download anything, and is easier to develop than traditional mobile apps
"smartphone"	a handheld personal computer (typically pocket-sized) with a mobile operating system and an integrated mobile broadband cellular network connection for voice, SMS, and internet data communication
"user interface"	the space where interactions between humans and machines occur, and is often used in the industrial design field of human-computer/smartphone interaction
"user traffic"	the flow of users of a network

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this document. Forward-looking statements can be identified by words such as "may," "will," "should," "would," "could," "believe," "expect," "anticipate," "intend," "plan," "continue," "seek," "estimate" or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. As forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political economic, business, competitive, market and regulatory conditions and the following:

- our business prospects;
- our business strategies and plans to achieve these strategies;
- future developments, trends and conditions in and competitive environment for the industries and markets in which we operate;
- general economic, political and business conditions in the PRC;
- our financial condition and performance;
- our capital expenditure plans;
- our dividend policy;
- changes to the regulatory environment, policies, operating conditions of and general outlook in the industries and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;

- the amount and nature of, and potential for, future development of our business;
- the actions of and developments affecting our competitors;
- the actions of and developments affecting our major customers and suppliers; and
- certain statement in the sections headed "Risk Factors," "Industry Overview," "Regulatory Overview," "Business," "Financial Information," "Relationship with Our Controlling Shareholders" and "Future Plans and [REDACTED]" with respect to trends in interest rates, foreign exchange rates, prices, volumes, operations, margins, risk management and overall market trends.

Any forward-looking statement made by us in this document speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

Potential investors should consider carefully all the information set out in this document and, in particular, should evaluate the following risks associated with the investment in [REDACTED]. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We require an open source operating system, namely Android, to be run on smartphones in order for our data analysis and content delivery to be implemented. Any changes to the specifications of or a declining popularity to such operating system may have material and adverse impacts on our operation and financial condition.

We have built our business and DAPG platform based on Android, an open source operating system. While we have established collaborative relationships with most leading Chinese branded smartphone manufacturers, which enables us to have access to a massive amount of Android user traffic, the growth of our business depends heavily on the popularity of smartphones run on Android. According to the F&S Report, in 2017, Android system's market share in China significantly outweighed the market share of the iOS operating system. However, we cannot assure you that Android will remain its popularity in China. In addition, if there are dramatic changes to the specifications of the Android operating system, we will incur significant technology costs to adjust to such changes. The occurrence of any of these circumstances would materially and adversely affect our results of operations and financial condition.

Our limited operating history makes it difficult to evaluate our business and growth prospects, and our historical results of operations and financial performance during the Track Record Period may not be indicative of our future prospects.

We have experienced rapid growth since we commenced our business in 2014. We generated our revenue from mobile advertising services during the Track Record Period and recently expanded into online-video distribution and game co-publishing and may expand into additional businesses in the future. Our relatively short operating history, particularly with respect to monetization, makes it difficult to assess our future prospects or forecast our future results. As a fast-growing company, we may encounter, among others, risks and uncertainties regarding our ability to:

- enhance our alliance with MHA members and other smartphone manufacturers;
- retain existing and attract new marketers from different industries, such as mobile game and app owners and mobile app developers;

- develop and launch diversified and distinguishable services and solutions to effectively address the needs of marketers from different industries and mobile app developers;
- develop and implement successful monetization measures;
- successfully deepen our penetration in existing markets and expand into new markets in a cost-efficient manner;
- maintain and strengthen our competitive edge on our key technologies, especially our DAPG platform;
- maintain a reliable, secure, high-performance and scalable technology infrastructure compatible to our growing business;
- successfully compete with other companies that are currently in or may in the future enter our industry or offer services and solutions similar to us;
- realize synergies or generate favorable returns through strategic acquisition or investments;
- increase brand awareness through marketing and promotional activities;
- attract, retain and motivate talented employees;
- adapt to the evolving regulatory environment; and
- defend ourselves against litigation, regulatory interference, intellectual property, privacy or other claims.

All of these endeavors involve risks and will require significant capital expenditures and allocation of valuable management and employee resources. However, due to our limited operating history, we may not be able to manage our expansion effectively because our current infrastructure, systems, procedures and controls will be adequate to support our expanding operations and our historical growth rate may not be indicative of our future performance. We cannot assure you that we will grow at the same rate as we had in the past.

We depend on our collaborative relationships with a limited number of smartphone manufacturers and cooperation with certain suppliers of content distribution channels who provide us with distribution channels and access to a massive user base. Any loss or deterioration of our relationship with such smartphone manufacturers or suppliers may result in the loss of user base and revenues.

We significantly rely on cooperation with smartphone manufacturers and other suppliers to operate our business. We offer marketers and mobile app developers the distribution channels we secure from those smartphone manufacturers, including app stores, game centers or other native

mobile apps and user interfaces developed and pre-installed by such smartphone manufacturers. If our cooperative relationships with those smartphone manufacturers and other suppliers of content distribution channels deteriorate or end, our business, results of operations, and financial condition will be materially and adversely affected.

In particular, our cooperative relationship with smartphone manufacturers has been, and is expected to continue to be, critical to our business and financial performance. In 2015, 2016 and 2017, our five largest suppliers, most of which are smartphone manufacturers, contributed a total of 83.5%, 52.2% and 34.6%, respectively, of our total cost of sales. Failure to retain these suppliers may have a material adverse effect on our business and results of operations.

We generally enter into a framework cooperation agreement with smartphone manufacturers, the term of which is typically one year and is renewable upon agreement of the parties. Moreover, a majority of our agreements with other suppliers of content distribution channels have a term of one year. However, there is no guarantee for renewal of such agreements upon expiration and there is no assurance that we can maintain stable business relationship with any smartphone manufacturers or other suppliers of content distribution channels. If any smartphone manufacturer or other suppliers of content distribution channels changes its cooperation policies or pricing terms or does not renew the cooperation agreements with us, our business and result of operations may be materially and adversely affected. In addition, if any smartphone manufacturer terminates its partnership relationship with us, we may not be able to find alternative distribution channels on a timely basis or on terms favorable to us, or at all. As a result, we may lose a significant portion of our current user data and traffic. The occurrence of any of these circumstances may significantly hinder our ability to increase our customer base and may significantly increase our expenses and, as a result, our business, results of operations, financial condition and prospects might be materially and adversely affected.

We were exposed to concentration risk of heavy reliance on our largest five customers during the Track Record Period.

During the Track Record Period, we generated a significant portion of our revenue from sales to our major customers. Our top five customers accounted for 99.2%, 76.8% and 26.9%, respectively, of our total revenues in 2015, 2016 and 2017. For the same periods, our largest customer contributed to a total of 76.5%, 32.1% and 10.0%, respectively, of our total revenue. As such, we may be subject to concentration and counter-party risk from these customers. See "Business — Customers" for more details. Although we are diversifying our customer base, we have been relying on a small number of major customers during the Track Record Period. In the event that the existing major customers cease to engage our service, or reduce business with us, and we are unable to find new customers with similar attributable revenue within a reasonable period of time or at all, our business and profitability may be adversely affected.

We incurred net losses, negative cash flows from operating activities and net liabilities during the Track Record Period. If we are unable to achieve profitability in the future, our business, financial condition and results of operations may be materially and adversely affected.

During the Track Record Period, we incurred net losses, negative cash flows from operations and net current liabilities. In 2015, 2016 and 2017, we had a net loss of RMB16.2 million, RMB98.1

million and RMB145.1 million, respectively. During the same years, we incurred negative cash flows from operating activities of RMB13.0 million, RMB16.2 million and RMB174.8 million, respectively. In addition, we had net liabilities of RMB5.2 million, RMB76.9 million and RMB172.5 million, respectively, in 2015, 2016 and 2017. Our historical results and growth may not be indicative of our future performance. Nevertheless, there can be no assurance that we would be able to generate profits in the future. We expect our operating expenses to increase in the future as we expand our operations. Furthermore, after the [REDACTED], we may incur additional compliance, accounting, and other expenses that we did not incur as a private company. If our revenue does not grow at a greater rate than our expenses, we may not be able to achieve and maintain profitability. We may incur considerable losses in the future for various reasons, many of which may be beyond our control. Additionally, we may encounter unforeseen expenses, operating delays, or other unknown factors that may result in losses in the future. If our cost of sales and expenses continuously exceed our revenue, our business may be materially and adversely affected and we may not be able to achieve or maintain profitability.

We may not be able to effectively manage our growth or implement our monetization strategies of acquiring and investing in complementary businesses, in which case our business and results of operations may be materially and adversely affected.

We have experienced rapid growth during the Track Record Period. The number of mobile apps and games we marketed grew from five in 2015, to 977 in 2016, and further to 2,817 in 2017. Our revenue grew from RMB15.3 million in 2015 to RMB40.6 million in 2016 and further to RMB485.6 million in 2017. However, we may not be able to grow at the same rate in the future if we cannot maintain the growth of our customer base or implement our business strategies. Our success will depend in part on our ability to effectively manage our growth and deal with any and all issues that may potentially hinder our growth. As our operations grow in scale, scope and complexity, we will need to improve and upgrade our systems and infrastructure, which will require significant expenditures and allocation of valuable management resources. If we fail to maintain the necessary level of discipline or fail to allocate limited resources effectively in our organization as it grows, our business, operating results and financial condition will suffer.

To effectively manage our growth, we will need to implement a variety of new and upgraded operational, technological and financial systems, procedures and controls, including the improvement of our accounting, actuarial, claims and other internal management systems and the enhancement of our compliance and risk control capabilities. The expansion of our business may increase our exposure to liquidity risk, credit risk and operational risk. We expect that we will need to continue to devote substantial financial, operational and technical resources to managing our growth and implementing our business strategies. In order to attain and maintain profitability, we will need to recruit, develop and retain skilled and experienced personnel who can demonstrate our value proposition to our ecosystem partners. The addition of new employees and the upgrading of systems may increase our cost.

We also plan to expand our business through acquisitions and investments. We have successfully acquired, and intend to selectively acquire and invest in, businesses, assets and technologies that complement our existing business. Going forward, we intend to selectively acquire, invest in or enter into strategic partnerships in China and overseas that we believe are strategically beneficial to our long-term goals. Acquisitions and investments involve uncertainties and risks, including:

- accurately identifying and evaluating potential acquisition targets with operations complementary to our existing operations;
- potential ongoing financial obligations and unforeseen or hidden liabilities;
- retaining key employees and maintaining the business relationships with the businesses we acquire;
- failure to achieve the intended objectives, benefits or revenue enhancement;
- costs and difficulties of integrating acquired businesses and managing a larger business;
- failure to integrate an acquired company's accounting, management information, human resource and other administrative systems to permit effective management and timely reporting;
- significant accounting charges resulting from the completion and integration of a sizeable acquisition and increased capital expenditures; and
- diversion of resources and management attention.

Our failure to address these uncertainties and risks may have a material adverse effect on our financial condition and results of operations. In addition, any such acquisition or investment may require a significant amount of capital investment, which would decrease the amount of cash available for working capital or capital expenditures. Furthermore, if we use our equity securities to pay for acquisitions, we may dilute the value of our Shares. Our Shareholders may not have the opportunity to review, vote on or evaluate future acquisitions or investments. If we borrow funds to finance acquisitions, such debt instruments may contain restrictive covenants that could, among other things, restrict us from distributing dividends.

We generated all of our revenues from advertising services during the Track Record Period. A decline in our advertising revenue resulting from our failure to retain existing advertising customers or attract new ones, or our failure to attract sufficient spending from our customers could harm our business and results of operations.

As we are in the early stage of our business, we heavily depend on advertising as our main monetization channel. During the Track Record Period, advertising services constituted all of our revenue, which amounted to RMB15.3 million, RMB40.6 million and RMB485.6 million in 2015, 2016 and 2017, respectively.

As is common in the industry, we do not have long-term advertising service contracts with our advertising customers, and a majority of our advertising service contracts have a term of one year or shorter. Our advertising customers are not obligated to use our content distribution platform on an exclusive basis and they generally use multiple advertising channels to manage their marketing spend. If our advertising customers determine that their expenditures on our platform do not generate expected returns, they may allocate a portion or all of their advertising budgets to other advertising channels, and reduce or discontinue business with us. In addition, our advertising customers' advertising budgets may decrease. Since most of our advertising customers are not bound by long-term contracts, they may lessen or discontinue advertising arrangements with us without incurring material liabilities. We strive to convince our customers to use our platform and spend a larger share of their online marketing budgets with us.

Our ability to retain existing advertising customers and attract new ones depends on the following factors, some of which are out of our control:

- customer satisfaction with our solutions, including any new solutions that we may develop;
- our ability to maintain our relationship with MHA members and establish collaboration with other suppliers of content distribution channels;
- the competitiveness of our pricing and payment terms provided to our customers, which may, in turn, be constrained by our capital and financial resources;
- mergers, acquisitions or other consolidation among market players; and
- the effects of global economic conditions on spending levels of advertising customers generally.

Therefore, we cannot assure you that advertising customers that have utilized our platform in the past will continue to spend at similar levels, or that they will continue to use our services at all. Advertising customers may not continue to utilize our platform or may only be willing to advertise with us at reduced prices if we do not deliver advertising services in an effective manner, or if they do not believe that their investment in advertising with us will generate a competitive return compared to alternative advertising platforms. We may not be able to replace customers which decrease or cease their usage of our services with new customers that spend at similar levels or more on our platform. As a result, we may suffer from a loss of advertising customers and our ability to maintain and/or grow our advertising revenues will be materially and adversely affected.

We are subject to risks associated with operating in a rapidly developing and evolving industry.

The mobile Internet industry is rapidly evolving and subject to continuous technological developments and the changing customer demands. The growth of mobile Internet industry and the

level of demand and market acceptance of our offerings of customized platform-based solutions are subject to a high degree of uncertainty. Our future results of operations will depend on a number of factors affecting the mobile internet industry, some of which are beyond our control, including:

- the popularity of smartphones and mobile Internet;
- changes in smartphone user demographics and user tastes and preferences;
- the worldwide growth of broadband internet and smartphone users, and the rate of any such growth; and
- general economic conditions.

As we generate a substantial amount of our revenue through customized platform-based solutions, our future success depends largely in part on our ability to enhance our existing solutions and to introduce new solutions with features that meet evolving technological developments and our customers' preferences and requirements in a timely and cost-effective manner.

If we fail to innovate, adapt and respond in a timely and effective manner to the rapidly changing technologies and new trends in the mobile internet industry, our solutions may become less competitive or obsolete and we may suffer from the decreased customer base, which may result in a decrease in our revenue. Furthermore, changes in technologies may require substantial investments in product development as well as in modification of products, services or infrastructure. We may not execute our business strategies successfully due to a variety of reasons such as technical hurdles, misunderstanding or erroneous prediction of market demand or lack of necessary resources. Failure to keep up with technological development or the changing requirements of marketers and mobile app developers may result in our offerings and services being less attractive than those provided by our competitors, which in turn may materially and adversely affect our business, results of operations and prospects.

We analyze the anonymized user data provided primarily by the smartphone manufacturers with whom we cooperate to enhance our business performance and results, and we cannot assure you that we are able to accumulate or access sufficient data in the future, or whether there will be any changes in the privacy laws in China which may increase our compliance costs.

We analyze an extensive amount of anonymized user data, with the specific personal identification information removed and unrecoverable, provided by the smartphone manufacturers under applicable laws and regulations with pertinent labels reflecting user intent, interests and behaviors. We leverage our proprietary DAPG platform to analyze the anonymized user data and deliver personalized content created by our customers to the targeted audiences. We cannot assure you that we will be able to continuously retain access to sufficient user data, or continuously improve our data technologies to refine our solutions provided to our customers. Any loss or deterioration of our

relationship with any smartphone manufacturers may result in our loss of access to anonymized user data. Moreover, if the smartphone manufacturers violated relevant laws and regulations in respect of data protection, our data resources may be deteriorated and we may suffer from the lack of user data. Failure to capture accurate and sufficient data may adversely affect our ability to provide our services.

Furthermore, personal data are strictly protected by law in China. Although we now are permitted to analyze anonymized user data under applicable laws and regulations, we may be subject to much more stringent compliance requirements resulting from any changes in the privacy laws in China, which may materially and adversely affect our business and results of operations.

Our businesses rely on our artificial intelligence and data analytics technologies, any impact on which would materially and adversely affect our business operations and our ability to form appropriate business strategies.

We rely on our artificial intelligence and data analytics technologies to enhance our ability to deliver customized and highly-efficient customized platform-based solutions. Our ability to attract customers and build trust in our platform is significantly dependent on our ability to effectively assess and predict users' interest in, and therefore interaction with, relevant content. We utilize our proprietary algorithms and data engines to track, label and analyze anonymized user data provided by smartphone manufacturers, forecast probability and nature of such users' potential engagement with a given content piece, and deliver appropriate content to the target audiences through the distribution channels we secured and recommended for our customers.

We have made substantial investments in ensuring the accuracy and effectiveness of our big data analytics that enables us to provide customized and efficient solutions to our customers. However, we cannot assure you that our data will not be damaged or lost due to technical errors, security breaches or hacking incidents. Nor can we assure you that our algorithms and data analysis methodology will be as effective as expected and continue to capture the accurate preferences of smartphone users. Furthermore, we generally do not verify the data we analyzed, which may be subject to fraud or are otherwise inaccurate. Even if such data are accurate, they may become irrelevant or outdated and thus may not reflect a smartphone user's genuine interest or accurately predict his or her interaction with a given content piece. For example, a user's interest and behavior pattern may change rapidly or he or she may have already completed a transaction and is no longer interested in the advertising message we were about to deliver. Any errors in our analysis resulting from these circumstances may lead our system to deliver content that fail to attract the target audiences. If we fail to continuously provide our customers with effective solutions through accurate identification and delivery, we may not be able to compete effectively with our competitors, and our business, results of operations and financial condition may be materially and adversely affected.

In addition, we expect to experience significant growth in the amount of data we process as we continue to develop new solutions and features to meet evolving and growing demands from our customers. As the amount of data and variables we process increases, the calculations that our algorithms and data engines must process become increasingly complex and the likelihood of any defect or error increases. To the extent our proprietary algorithms and data engines fail to accurately

assess or predict a user's interest in and interaction with, the relevant content, our customers may not achieve their marketing goals in a cost-effective manner or at all, which could make our distribution platform less attractive to them, result in damages to our reputation and a decline of our market share and adversely affect our business and results of operations.

The success of our business depends on our ability to maintain and enhance our brand.

We believe that maintaining and enhancing our "Wanka" brand is of significant importance to the success of our business. Our operational and financial performance is highly dependent on the strength of our brand. Our well-recognized brand is critical to forging long-term relationships with the MHA members that can provide us stable user traffic and sufficient distribution channels. However, we cannot assure you that we will be able to maintain and enhance our brand, and maintain our reputation in the mobile internet industry.

In addition, negative coverage in the media of our Company could threaten the perception of our brand, and we cannot assure you that we will be able to defuse negative press coverage about our Company to the satisfaction of our investors, marketers, mobile app developers and strategic partners. If we are unable to defuse negative press coverage about our Company, our brand may suffer in the marketplace, our operational and financial performance may be negatively impacted and the [REDACTED] of our Shares may decline.

If we are unable to facilitate the development and promotion of Quick Apps, our business and results of operations may be materially and adversely affected.

We plan to facilitate the development and promotion of Quick Apps to strengthen our ecosystem. Together with the members of QAA, we launched the official guidelines to Quick App development in March 2018. We also plan to provide ongoing technical support and guidance to various developers in connection with the Quick App development. However, as Quick App is completely new and evolving, it may prove unsuccessful. For example, it may take longer time than expected for smartphone users to accept Quick Apps and reshape user behavior. We cannot assure you that Quick Apps will eventually obtain popularity among smartphone users. Moreover, we may fail to attract sufficient mobile app developers to develop Quick Apps. In addition, from a technological perspective, it may take longer time than expected for Quick App platform to be universally compatible with all Chinese Android smartphones produced by different manufacturers. Any of the circumstances may hinder our growth, and our business and results of operations may be materially and adversely affected.

If we are unable to benefit from the synergy arising from our acquisition of Shanghai ChiLe, our business may be adversely affected.

In March 2018, we strategically acquired Shanghai ChiLe, a company primarily engaging in online-video distribution. We issued 12,024,632 Class B Ordinary Shares as the acquisition consideration. See "Business — Our Services to Ecosystem Participants — Our Services to Marketers

— Online-Video Distribution" for details of the potential synergies arising from our acquisition of Shanghai ChiLe. However, the benefits that we expect to achieve from the acquisition may not be achieved or, if achieved, may not be achieved in the time frame in which we expected. Whether these anticipated benefits are realized depends on future events and circumstances, some of which are beyond our control. We cannot assure you that we will benefit from Shanghai ChiLe's industry resources and networks. Our business and financial condition may suffer to the extent that Shanghai ChiLe loses any of its distribution channel or fails to retain authorization from the copyright owners of its video content. Failure to achieve a synergy arising from our acquisition of Shanghai ChiLe could materially and adversely affect our business, results of operations and financial condition.

Our technology infrastructure, including servers and network, may experience unexpected system failure, significant interruptions or security breaches, which could adversely impact our operations and harm our business.

Our technology infrastructure may in the future experience server disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors and capacity constraints. Our growing operations will place increasing pressure on our servers and network capacity as we further expand our services to marketers, mobile app developers and smartphone manufacturers. In addition, we rely on third-party service providers for certain key aspects of our network infrastructure, such as server rooms and cloud host. Furthermore, due to the nature of our business, we highly depend on the performance and reliability of the Internet infrastructure in areas where we operate, which is maintained by telecommunications carriers. Any disruption or other problems with these services are out of our control and may be difficult for us to remedy. The resulting interruption of our ability to provide solutions to marketers, mobile app developers and smartphone manufacturers would harm our reputation and operations.

We expect to continue to make significant investments to our technology infrastructure. To the extent that our disaster recovery systems are not adequate, or we do not effectively address capacity constraints, upgrade our systems as needed and continue to develop our technology and network architecture to accommodate increasing user traffic, our business and results of operations may suffer. We do not maintain insurance policies covering losses relating to our systems and we do not have business interruption insurance.

Unauthorized use of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may adversely affect our business, reputation and competitive edge.

Intellectual property is crucial to our competitiveness and success. Unauthorized use of our intellectual property may adversely affect our business and reputation.

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of the Latest Practicable Date, not all of our proprietary technologies were protected by intellectual property rights registered with the relevant competent governmental authorities in China and we had certain pending patent applications, including those relating to our DAPG platform, with the State Intellectual Property Office. Due to the lack of registered intellectual property rights over these unprotected technologies, third parties may access and utilize technologies owned by us, which may harm our business and adversely affect the results of our operations. Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain or use our intellectual property, including seeking court declaration that they do not infringe upon our intellectual property rights. Monitoring unauthorized use of our intellectual property is difficult and costly, and the steps we have taken may not fully prevent misappropriation of our intellectual property. Furthermore, the practice of intellectual property rights enforcement action by Chinese regulatory authorities is at its early stage of development and is subject to significant uncertainty. We may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources, and thus may adversely affect our business. In addition, there is no assurance that we will be able to enforce our intellectual property rights effectively or otherwise prevent others from the unauthorized use of our intellectual property. Failure to adequately protect our intellectual property could materially and adversely affect our brand name and reputation, and our business, financial condition and results of operations.

Third parties may claim that we infringe their proprietary intellectual property rights, which could cause us to incur significant legal expenses and prevent us from promoting our services.

Companies in the Internet, technology, smartphone and media industries are frequently involved in litigation related to allegations of infringement of intellectual property rights. In the event we deliver content that violates copyrights of a third party, the third parties may claim that, as the service provider delivering such contents, we are also liable for any infringement upon the third parties' rights jointly with the content provider. We typically rely on representations from our advertising customers that their contents do not infringe upon third parties' intellectual property rights. Pursuant to our advertising service agreements with our customers, we are entitled to indemnification by our customers should any such representations become inaccurate and we suffer damages as a result. However, indemnification may not be adequate to recover our loss.

Moreover, defending against intellectual property claims is costly and can impose a significant burden on our management and resources. Such claims, even if without merit, may still harm our reputation. Any liability or expenses resulting from such claims, or necessary changes to our services to reduce the risk of exposure to future liabilities, may have a material adverse effect on our business, results of operations and financial condition.

The performance and reliability of the Internet infrastructure and wireless and landline telecommunications networks in China will affect our operations and growth, including our ability to accommodate prospective customers in the future.

With our principal executive offices located in China, we conduct central management of user data, provide data transmission and communications, and monitor our overall operations, relying on wireless and landline telecommunications networks in China. The national networks in China are connected to the Internet through international gateways controlled by the PRC government, which are the only channels through which a domestic user can connect to the Internet in China. These international gateways may not support the demand necessary for the continued growth in internet traffic by users in China. We cannot assure you that the development of China's information infrastructure will be adequate to support our operations and growth. In addition, in the event of any infrastructure disruption or failure, we would have no access to alternative networks and services on a timely basis, if at all, which could have a material adverse effect on our business, results of operations and prospects.

Unintended leakage of confidential information may materially and adversely affect our reputation and business.

As we conduct our business, we process, store and analyze a large amount of anonymized user data provided by smartphone manufacturers. We take precautions for secure storage and usage of user data. However, our security control may not prevent the improper leakage of user data. Anyone may circumvent our security measures and misappropriate proprietary information or cause interruptions in our operations. A security breach, such as hacking or any other attempt to harm our systems, that leads to leakage of our user data, even though anonymized, could still harm our reputation. Our actual or perceived failure to comply with governmental regulation and other legal obligations related to user privacy could harm our business. We may be required to expend significant capital and other resources to prevent such security breaches or alleviate problems caused by such breaches. We may also lose current or prospective smartphone manufacturers that grant us access to their user data due to the impression that we cannot adequately protect the privacy and safety of such data.

If we lose the services of any of our key executive officers, senior management, or are unable to retain, recruit and hire experienced staff, our ability to effectively manage and execute our operations and meet our strategic objectives could be harmed.

Our future success depends on the continued service of our key executive officers and other key employees. We benefit from the leadership of a strong management team with proven vision, rich professional work experience, and extensive knowledge of China's mobile internet industry. We also rely on a number of key technology staff for the development and operation of our business. In addition, we will need to continue attracting and retaining skilled and experienced staff for our businesses to maintain our competitiveness.

If one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all and may incur additional expenses to recruit and train new personnel, our business could be materially and adversely affected. In addition, if any of our executive officers or key employees joins a competitor or forms a competing company, we may lose know-how, trade secrets, suppliers and customers. Substantially all of our employees, including each of our executive officers and key employees, have entered into confidentiality agreements with us, which contains customary non-compete provisions. Although non-compete provisions are generally enforceable under PRC laws, PRC legal practice regarding the enforceability of such provisions is not as well-developed as that in countries such as the United States. Thus, if we need to enforce our rights under the non-compete provisions, we cannot assure you that a PRC court would enforce such provisions. If we lose the services of any of our key executive officers, senior management, or are unable to retain, recruit and hire experienced staff, our ability to effectively manage and execute our operations and meet our strategic objectives could be harmed.

We may be subject to additional social insurance and housing reserve fund contributions and late payments or fines imposed by relevant regulatory authorities.

According to applicable PRC laws and regulations, employers must open social insurance registration accounts and housing reserve fund accounts and make social insurance and housing reserve fund contributions for employees. During the Track Record Period, we did not make adequate social insurances and housing reserve fund contributions for certain employees or make timely registration with the relevant social insurance or housing reserve fund authorities. The provision made for the shortfall amounts in social insurance and housing reserve fund contributions in respect of Shanghai ChiLe, Xinjiang ChiLe and Shanghai Langdao were approximately nil, nil and RMB246,000 in 2015, 2016 and 2017, respectively. The shortfall amounts in social insurance and housing reserve fund contributions in relation to Shenzhen branch of Huanju Times were immaterial during the Track Record Period, and thus no provision was made.

As advised by our PRC legal advisors, we may be subject to late fees and fines for our historical insufficient contributions to the social insurance plans and housing reserve fund in relation to Shanghai ChiLe, Xinjiang ChiLe, Shanghai Langdao and the Shenzhen branch of Huanju Times and nonregistration of an account for social insurance or housing reserve fund. As of the Latest Practicable Date, we did not received any notice from the local authorities on any claim from our current and former employees regarding our inadequate contributions, and as confirmed by our PRC legal advisors, the maximum fines that may be imposed on us for such inadequate contributions were three times of the unpaid amount. However, our provision does not anticipate and thus does not include fines that may be imposed by the competent government authorities if we fail to rectify the non-compliance within a prescribed timeframe or the late fees. If we are ordered to pay fines or late fees, we may need to make additional provision to make up for the shortfall, which may adversely affect our results of operations and financial condition.

The failure to comply with PRC property laws and relevant regulations regarding certain of our leased premises may materially and adversely affect our business, financial condition, results of operations and prospects.

According to the PRC Land Administration Law, land in urban districts is owned by the state. The owner of a property built on state-owned land generally possesses the proper land and ownership certificate or other legal documentations to demonstrate that it is the owner of the premises and that it has the right to enter into lease contracts with the tenants or to authorize a third party to sublease the premises. Some of the landlords of our office premises have failed to provide the title certificates to us.

Under the applicable PRC laws and regulations, the parties to a lease agreement are required to register and file such lease agreement with the relevant government authorities. As of the Latest Practicable Date, none of our leased properties had been registered or filed. While the lack of registration will not affect the validity of the lease agreements under the PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each nonregistered lease.

Therefore, the failure to comply with PRC property laws and relevant regulations regarding certain of our leased premises may cause us to make relocations and be subject to fines and suspension of business, which may materially and adversely affect our business, financial condition, and results of operations.

We are required to obtain various operating licenses and permits to provide certain of our services in China, and failure to comply with these requirements may materially and adversely affect our business operations.

As confirmed by our PRC legal advisors, we have obtained or are in the process of application for material licenses, permits or approvals from the PRC regulatory authorities that are required to provide online content distribution services. However, the licensing requirements within the online content distribution industry, particularly in China, are constantly evolving and subject to the interpretation of the competent authorities, and we may be subject to more stringent regulatory requirements due to changes in the political or economic policies in the relevant jurisdictions or the changes in the interpretation of the scope of Internet culture business. We cannot assure you that we will be able to satisfy such regulatory requirements and as a result we may be unable to retain, obtain or renew relevant licenses, permits or approvals in the future. Historically, we had instances of non-compliance with the applicable laws and regulations. During the Track Record Period, Xinjiang ChiLe operated without the Online Culture Business License and Huanju Times operated without the Online Publishing Service License and the License for Online Transmission of Audio-Visual Programs. As of the Latest Practicable Date, Xinjiang ChiLe was in the process of applying for the Online Culture Business License; however, we cannot assure you that we can obtain such license in a timely manner or on reasonable conditions or at all. See "Business — Legal Proceedings and

Compliance" for the details and potential legal consequences. We may be subject to administrative penalties or sanctions, including suspension or revocation of our licenses, permits or approvals necessary for our operation, due to such non-compliance, which may materially and adversely affect our business operations.

As we further develop and expand our online-video distribution capabilities and functions and as policy and the interpretation of policy may change from time to time, we may need to obtain additional qualifications, permits, approvals or licenses. In addition, with respect to specific services offered online, we or the marketers which provide content may be subject to additional separate qualifications, permits, approvals or licenses. We cannot assure you that we or the marketers will be granted such qualifications, permits, approvals or licenses in a timely manner or at all. Prior to the receipt of such qualifications, permits, approvals or licenses, we may be deemed as being in violation of relevant laws or regulations and be subject to penalties.

The PRC government may prevent us from distributing content that it believes is inappropriate and we may be subject to penalties for distributing such content or we may have to interrupt or stop our business operations.

China has enacted regulations governing internet access and the distribution of news and other information. In the past, the PRC government has stopped the distribution of information over the Internet or through mobile Internet devices that it believes violates the PRC law, including content that it believes is obscene or defamatory, incites violence, endangers the national security, or contravenes the national interest. In addition, certain news items, such as news relating to national security, may not be published without permission from the PRC government. If the Chinese government were to take any action to limit or prohibit the distribution of information through our platform, or to limit or regulate any current or future content or services available to our customers on our platform, our business could be significantly harmed. Although we have adopted internal procedures to monitor the content delivered through our platform, due to the significant amount of content, we may not be able to identify all the content that may violate relevant laws and regulations. Failure to identify and prevent inappropriate or illegal content from being delivered through our platform may subject us to penalties, including suspension of operations.

As we are expanding into the online-video distribution industry, videos distributed by us may be found objectionable by PRC regulatory authorities and may subject us to penalties and other administrative actions.

We are subject to PRC regulations governing Internet access and the distribution of videos over the Internet. Under these regulations, an Internet information service provider shall not produce, duplicate, publish or disseminate the following information which: (1) are against the fundamental principles set out in the Constitution of the PRC; (2) endanger national security, leak state secrets, incite to overthrow state power, or undermine the national unity; (3) damage the State's honor and harm the interests of the State; (4) incite ethnic hatred and ethnic discrimination or undermine solidarity among all nationalities; (5) undermine the State's policies on religions, and advocate religious cults and feudal superstition; (6) disseminate rumors to disrupt social order and undermine

social stability; (7) disseminate obscene materials, advocate gambling, violence, killing and terrorism, or instigate others to commit crimes; (8) humiliate or defame other persons or infringe the legitimate rights and interests of the others; or (9) are otherwise prohibited by laws or administrative regulations.

Although we have not been materially penalized for our content so far, in the event that the PRC regulatory authorities find the video and other content we distribute objectionable and impose penalties on us or take other actions against us in the future, our business, results of operations and reputation may be materially and adversely affected.

Non-compliance with law on the part of any third parties with which we conduct business could disrupt our business and adversely affect our results of operations and financial condition.

Third parties with which we conduct business, such as content providers, advertising customers and smartphone manufacturers, may be subject to regulatory penalties or punishments because of their regulatory compliance failures or may be infringing upon other parties' legal rights, which may, directly or indirectly, disrupt our business. Although we conduct review of legal formalities and certifications before entering into contractual relationships with third parties, and take measures to reduce the risks that we may be exposed to in case of any non-compliance by third parties, we cannot be certain whether such third party has violated any regulatory requirements or infringed or will infringe any other parties' legal rights. For example, content providers may submit copyrighted content that they have no right to distribute, and we may not be able to identify all instances of copyright infringement. In the event we deliver content that violates copyrights of a third party, we may be required to pay damages to compensate such third party. Even though we have the contractual right to seek indemnification from the relevant content provider for such payment, there can be no assurance that we will be able to enforce such right. As a result, our business, results of operations and financial condition could be materially and adversely affected. Similarly, advertising content of advertising customers may also not be in full compliance with applicable laws and regulations that may have an adverse effect as to our business, results of operations and financial condition.

We cannot rule out the possibility of incurring liabilities or suffering losses due to any non-compliance by third parties. We cannot assure you that we will be able to identify irregularities or non-compliance in the business practices of third parties we conduct business with, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. Any legal liabilities and regulatory actions affecting third parties involved in our business may affect our business activities and reputations, and may in turn affect our business, results of operations and financial condition.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.

We consider trade secrets, confidential know-how and unpatented proprietary technologies to be important to our business. We may rely on trade secrets and/or confidential know-how to protect our technology, especially where patent protection is believed by us to be of limited value. However, trade secrets and/or confidential know-how can be difficult to maintain as confidential.

To protect this type of information against disclosure or appropriation by competitors, we have entered confidentiality agreements with substantially all of our key employees, executives, business partners, and third-party providers. However, current or former employees, executives, business partners, and third-party providers may unintentionally or willfully disclose our confidential information to competitors, and the confidentiality agreements may not provide an adequate remedy in the event of such unauthorized disclosure. Effective protection of our trade secrets and/or confidential know-how is expensive, time consuming and unpredictable. The enforceability of confidentiality agreements may vary from jurisdiction to jurisdiction.

Failure to obtain or maintain trade secrets and/or confidential know-how trade protection could adversely affect our competitive position. Moreover, our competitors may independently develop substantially equivalent proprietary information and may even apply for patent protection in respect of the same. If our competitors are successful in obtaining such patent protection, our utilization of our trade secrets and/or confidential know-how may be limited.

Negative publicity about us, our services, operations and our management may adversely affect our reputation and business.

We may from time to time receive negative publicity about our company, our business, our management or our services. Certain of such negative publicity may be the result of malicious harassment or unfair competition acts by third parties. We may even be subject to government or regulatory investigation as a result of such third-party conduct and may be required to spend significant time and incur substantial costs to defend ourselves against such third-party conduct, and we may not be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Harm to our reputation and customer confidence can also arise for many other reasons, including misconduct of our employees or any third parties whom we conduct business with. Our reputation may be materially and adversely affected as a result of any negative publicity, which in turn may cause us to lose market share, advertising customers, industry partners, and other business partnerships.

The discontinuation of any preferential tax treatments available to us in China could adversely affect our results of operations and financial condition.

Under PRC tax laws and regulations, certain of our Consolidated Affiliated Entities enjoyed, or are qualified to enjoy, certain preferential income tax benefits. The modified Enterprise Income Tax Law, effective on February 24, 2017, or the EIT Law, and its implementation rules generally impose a uniform income tax rate of 25% on all enterprises, but grant preferential treatment to "high and new technology enterprises strongly supported by the state", or HNTEs, to enjoy a reduced enterprise tax rate of 15%. During the Track Record Period, Shanghai ChiLe was subject to a preferential income tax rate of 12.5% as it was accredited as an HNTE and incorporated at Pudong New District of Shanghai. According to the relevant administrative measures, to qualify as an "HNTE", Shanghai ChiLe must meet certain financial and non-financial criteria and complete verification procedures with the administrative authorities. Continued qualification as an "HNTE" is subject to a three-year review by the relevant government authorities in China, and in practice certain local tax authorities also require annual evaluation of the qualification. Shanghai ChiLe will file an application to renew the entitlement before October 29, 2018. In the event the preferential income tax treatment for Shanghai

ChiLe is discontinued or is not verified by the local tax authorities, and the affected entity fails to obtain preferential income tax treatment based on other qualifications such as Advanced Technology Service Enterprise, it will become subject to the standard PRC enterprise income tax rate of 25%. Xinjiang ChiLe was exempt from income tax due to the local tax incentives during the Track Record Period. We cannot assure you that the tax authorities will not, in the future, discontinue any of our preferential tax treatments, potentially with retroactive effect.

We may need additional capital, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all.

We may require additional capital beyond those generated by the [REDACTED] from time to time to grow our business, including to better serve our customers, develop new features or enhance our platform and solutions, improve our operating and technology infrastructure or conduct acquisition of complementary businesses and technologies. Accordingly, we may need to sell additional equity or debt securities or obtain a credit facility. Future issuances of equity or equity-linked securities could significantly dilute our existing shareholders, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our ordinary shares. The incurrence of debt financing would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders.

Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our market position and competitiveness in the mobile internet industry;
- our future profitability, overall financial condition, results of operations and cash flows;
- general market conditions for capital raising activities by mobile internet companies in China; and
- economic, political and other conditions in China and internationally.

We may be unable to obtain additional capital in a timely manner or on acceptable terms or at all. If we are unable to obtain adequate financing on terms satisfactory to us when we require it, our ability to continue to support our business growth could be significantly impaired, and our business and prospects could be adversely affected.

Our lack of insurance could expose us to significant costs and business disruption.

The insurance industry in China is still at an early stage of development. In particular, Chinese insurance companies offer limited business insurance products to mobile internet service providers. We do not have any business liability or disruption insurance to cover our operations in China, which, based on public information available to us relating to Chinese mobile internet industry, is consistent with customary industry practice in China. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. In addition, we do not maintain any insurance

policies covering risks including loss and theft of and damages to our servers or other technology infrastructure. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or technology infrastructure could result in substantial costs and diversion of resources for us and could adversely affect our financial condition and results of operations.

Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the [REDACTED] of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could have a negative impact on our business operations.

We are vulnerable to natural disasters and other calamities. Fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, wars, riots, terrorist attacks or similar events may give rise to server interruptions, breakdowns, system failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide our services.

Our business could also be adversely affected by the effects of Ebola virus diseases, H1N1 flu, H7N9 flu, avian flu, Severe Acute Respiratory Syndrome (SARS), or other epidemics. Our business operation could be disrupted if any of our employees is suspected of having any of the aforementioned epidemics or another contagious disease or condition, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our business, results of operations and financial condition could be adversely affected to the extent that any of these epidemics harms the PRC economy in general.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

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 our Consolidated Affiliated Entities.

Current PRC laws and regulations impose certain restrictions and prohibitions on foreign ownership of companies that engage in the Internet and other related businesses, such as online advertising.

We are a company incorporated under the laws of the Cayman Islands, and Wanka Huanju, our PRC subsidiary, is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct substantially all of our business in China through our Consolidated Affiliated Entities based on the Contractual Arrangements, which enable us to (1) have the power to direct the activities that most significantly affect the economic performance of Huanju Times and Shanghai ChiLe; (2) receive substantially all of the economic benefits from Huanju Times and Shanghai ChiLe in consideration for the services provided by the WFOE, respectively; (3) have an exclusive option to purchase all or part of the equity interests in Huanju Times and Shanghai ChiLe when and to the extent permitted by PRC law, or request any existing shareholder of Huanju Times or Shanghai ChiLe to transfer any or part of the equity interest in Huanju Times or Shanghai ChiLe to another PRC person or entity designated by us at any time at our discretion; and (4) have the pledged equity interests in Huanju Times and Shanghai ChiLe to ensure the performance of the above items. Because of these Contractual Arrangements, we are the primary beneficiary of Huanju Times and Shanghai ChiLe and hence treat each of Huanju Times and Shanghai ChiLe as our Consolidated Affiliated Entities, and consolidate their and their respective subsidiaries' results of operations into ours. Our Consolidated Affiliated Entities hold the licenses, approvals and key assets that are essential for our business operations.

Our PRC legal advisors, based on their understanding of the relevant laws and regulations, are of the opinion that our Contractual Arrangements do not violate, breach, contravene or otherwise conflict with any applicable PRC law, rule or regulation and constitute valid and binding obligations against each party to such agreements in accordance with their terms. However, our PRC Legal Advisors also advised that as there are substantial uncertainties regarding the interpretation and application of the PRC laws, rules and regulations, including but not limited to, those governing our business, or the enforcement and performance of our Contractual Arrangements, there can be no assurance that the PRC government would ultimately take a view that is consistent with the opinion of our PRC Legal Advisors. If the PRC government finds that our Contractual Arrangements do not comply with its restrictions on foreign investment in businesses, or if the PRC government otherwise finds that we, Huanju Times, Shanghai ChiLe or any of their respective subsidiaries are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the MOCT, the SAIC and the SART, would have broad discretion in dealing with such violations or failures, including, without limitation:

- revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or our PRC subsidiaries and Consolidated Affiliated Entities may not be able to comply;
- requiring us or our PRC subsidiaries and Consolidated Affiliated Entities to restructure the relevant ownership structure or operations;

- restricting or prohibiting our use of the proceeds from the [REDACTED] or other of our financing activities to finance the business and operations of our Consolidated Affiliated Entities and their respective subsidiaries; or

- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of any of our Consolidated Affiliated Entities in our consolidated financial statements, if the PRC governmental authorities find our legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in our inability to direct the activities of Huanju Times or Shanghai ChiLe that most significantly impact their economic performance and/or our failure to receive the economic benefits from Huanju Times or Shanghai ChiLe, we may not be able to consolidate Huanju Times or Shanghai ChiLe into our consolidated financial statements in accordance with HKFRS.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Huanju Times, Shanghai ChiLe or any of their shareholders may fail to perform their obligations under our contractual arrangements.

Due to the PRC restrictions or prohibitions on foreign ownership of internet and other related businesses (except for music) in China, we operate a portion of our business in China through our Consolidated Affiliated Entities, in which we have no ownership interest. We rely on the Contractual Arrangements with our Consolidated Affiliated Entities and their shareholders to control and operate their business. These Contractual Arrangements are intended to provide us with effective control over our Consolidated Affiliated Entities and allow us to obtain economic benefits from them. See "Contractual Arrangements" in this document for more details about these Contractual Arrangements.

Although we have been advised by our PRC legal advisors that our Contractual Arrangements with Huanju Times and Shanghai ChiLe constitute valid and binding obligations against each party of such agreements in accordance with their terms, these Contractual Arrangements may not be as effective in providing control over Huanju Times and Shanghai ChiLe as direct ownership. If Huanju Times, Shanghai ChiLe or any of their shareholders fail to perform their respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of these Contractual Arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from these contractual arrangements will be resolved through arbitration in China. However, the legal system in China is not as developed as in other jurisdictions. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit our ability to enforce these Contractual Arrangements. In the event we are unable to enforce these Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over Huanju Times or Shanghai ChiLe and may lose control over the assets owned by our Consolidated Affiliated Entities. As a result, we may be unable to consolidate Huanju Times and Shanghai ChiLe in our consolidated financial statements, and our ability to conduct our business may be adversely affected.

We may lose the ability to use and enjoy assets held by Huanju Times or Shanghai ChiLe that are material to our business operations if Huanju Times or Shanghai ChiLe were to declare bankruptcy or become subject to a dissolution or liquidation proceeding.

We do not have priority pledges and liens against the assets of our Consolidated Affiliated Entities. If Huanju Times or Shanghai ChiLe undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and we may not have priority against such third-party creditors on the assets of our Consolidated Affiliated Entities. If our Consolidated Affiliated Entities liquidate, we may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law and recover any outstanding liabilities owed by Huanju Times or by Shanghai ChiLe to the WFOE under the applicable service agreement.

If Huanju Times Registered Shareholders or Shanghai ChiLe Registered Shareholders were to attempt to voluntarily liquidate Huanju Times or Shanghai ChiLe without obtaining our prior consent, we could effectively prevent such unauthorized voluntary liquidation by exercising our right to request Huanju Times Registered Shareholders or ChiLe Registered Shareholders to transfer all of their respective equity ownership interests to a PRC entity or individual designated by us in accordance with the exclusive option agreement with Huanju Times Registered Shareholders or ChiLe Registered Shareholders. In addition, under the Contractual Arrangements, Huanju Times Registered Shareholders and ChiLe Registered Shareholders do not have the right to issue dividends to themselves or otherwise distribute the retained earnings or other assets of Huanju Times or Shanghai ChiLe without our consent. In the event that Huanju Times Registered Shareholders or ChiLe Registered Shareholders initiate a voluntary liquidation proceeding without our authorization or attempts to distribute the retained earnings or assets of Huanju Times or Shanghai ChiLe without our prior consent, we may need to resort to legal proceedings to enforce the terms of the contractual arrangements. Any such legal proceeding may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceeding will be uncertain.

The ultimate shareholders of Huanju Times or Shanghai ChiLe may have conflicts of interest with us, which may materially and adversely affect our business.

We have designated individuals who are PRC nationals to be the ultimate shareholders of Huanju Times and Shanghai ChiLe. These individuals may have conflicts of interest with us. Huanju Times is approximately 72% owned by Mr. Gao and 28% owned by Mr. Zheng. Shanghai ChiLe is approximately 51% owned by Mr. Gao. We rely on these individuals to abide by the laws of the Cayman Islands which impose fiduciary duties upon directors and officers of our company. Such duties include the duty to act bona fide in what they consider to be in the best interest of our company as a whole and not to place themselves in a position in which there is a conflict between their duties to our company and their personal interests. On the other hand, PRC laws also provide that a director or a management officer owes a loyalty and fiduciary duty to the company he or she directs or manages. We cannot assure you that when conflicts arise, ultimate shareholders of Huanju Times or Shanghai ChiLe will act in the best interest of our company or that conflicts will be resolved in our favor. These individuals may breach or cause Huanju Times or Shanghai ChiLe to breach the

Contractual Arrangements. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

If we exercise the option to acquire equity ownership and assets of Huanju Times or Shanghai ChiLe, the ownership or asset transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, the WFOE or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in Huanju Times or Shanghai ChiLe from Huanju Times Registered Shareholders or ChiLe Registered Shareholders.

The equity transfer may be subject to the approvals from or filings with the MOFCOM, the MIIT, the MOCT, the SAIC and/or their local competent branches as well as polices in relation to restrictions on foreign investment. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. The shareholders of Huanju Times or Shanghai ChiLe will pay the equity transfer price they receive to the WFOE under the contractual arrangements. The amount to be received by the WFOE may also be subject to enterprise income tax. Such tax amounts could be substantial.

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.

Background of the Draft Foreign Investment Law

The MOFCOM published the Draft Foreign Investment Law in January 2015 for public review and comments aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law. The Draft Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. While the MOFCOM solicited comments on this draft in early 2015, substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The Draft Foreign Investment Law, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

Among other things, the Draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of "actual control" in determining whether a company is considered a foreign invested enterprise or a foreign invested entity or "FIE." The Draft Foreign Investment Law specifically provides that entities established in China but "controlled" by foreign investors will be treated as FIEs, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the MOFCOM, treated as a PRC domestic investor, provided that the entity is "controlled" by PRC entities and/or citizens. In this connection, "foreign investors" refers

to the following subjects making investments within the PRC: (1) natural persons without PRC nationality; (2) enterprises incorporated under the laws of countries or regions other than the PRC; (3) the governments of countries or regions other than the PRC and the departments or agencies thereunder; and (4) international organizations. Domestic enterprises under the control of the subjects as mentioned in the preceding sentence are deemed foreign investors. "Control" is broadly defined in the draft law to cover the following categories: (1) holding, directly or indirectly, not less than 50% of shares, equities, share of voting rights or other similar rights of the subject entity; (2) holding, directly or indirectly, less than 50% of the voting rights of the subject entity but having the power to secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to exert material influence on the board, the shareholders' meeting or other equivalent decision making bodies; or (3) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial matters or other key aspects of business operations. Once an entity is determined to be a FIE, it will be subject to the foreign investment restrictions or prohibitions set forth in a Catalog of Special Administrative Measures, which is classified into the Catalog of Prohibitions and the Catalog of Restrictions, to be separately issued by the State Council later. Foreign investors are not allowed to invest in any sector set forth in the Catalog of Prohibitions. However, unless the underlying business of the FIE falls within the Catalog of Restrictions or Catalog of Prohibitions, which calls for market entry clearance by the MOFCOM, prior approval from governmental authorities as mandated by the existing foreign investment legal regime would no longer be required for establishment of the FIE.

Impact of the Draft FIL on VIE

The variable interest entity ("VIE") structure has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. Under the Draft FIL, variable interest entities that are controlled via contractual arrangement would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors. Therefore, for any company with a VIE structure in an industry category that is on the Catalog of Restrictions or Catalog of Prohibitions, the VIE structure may be deemed a domestic investment only if the ultimate controlling person(s) is/are of PRC nationality (either PRC companies or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the Catalog of Restrictions or Catalog of Prohibitions without market entry clearance may be considered as illegal.

It is uncertain whether we would be considered by the PRC government as ultimately controlled by Chinese parties or not. In addition, the Draft FIL does not indicate what actions shall be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by PRC entities and/or citizens. Moreover, it is uncertain whether the "Catalog of Special Administrative Measures" to be issued will differ from the Catalogue for the Guidance of Foreign Investment Industries (Revised in 2017), or the 2017 Catalogue, and re-impose foreign investment prohibitions on internet cultural activities (except for music). If the enacted version of the Draft FIL and the final "Catalog Of Special Administrative Measures" mandate further actions, such as the MOFCOM market entry clearance, to be completed by companies with an existing VIE structure like us, we would face uncertainties as to whether such clearance can be timely obtained, or at all.

Potential Consequences for our Group

As all the Pre-[REDACTED] Investors need to realize their investment values sooner or later, it is impracticable to coordinate our shareholders to undertake that, in the event of any transfer or disposal of their respective Share of the Company, they will ensure that the transferee(s) provide an undertaking that they will only transfer their respective interest in us to PRC nationals or similar undertakings, while giving this undertaking will substantially reduce their investment values and make it impracticable to dispose of their Shares in us in the open market.

We have adopted a series of arrangements to fulfill the relevant requirements under the Draft FIL regarding the control by PRC entities and/or citizens, by ensuring that the majority of our members of the Board will consist of PRC nationals. See "Contractual Arrangements" for details.

However, our Contractual Arrangements, in the worst case scenario, may be regarded as invalid and illegal. As a result, we will not be able to operate our business through the Contractual Arrangements and will lose our rights to receive the economic benefits from our Consolidated Affiliated Entities, such that the financial results of these entities would no longer be consolidated into our financial results and we will have to derecognize their assets and liabilities according to the relevant accounting standards. In such case, the Stock Exchange may also consider us to be no longer suitable for [REDACTED] and [REDACTED].

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 net income and the value of your investment.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our PRC subsidiaries and our Consolidated Affiliated Entities do not represent an arms-length price and adjust our Consolidated Affiliated Entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our Consolidated Affiliated Entities, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our PRC variable interest entities for under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

The economic, political and social conditions of China could affect our business, financial condition and results of operations.

As part of our business strategy, we are now targeting China's mobile internet industry by devoting a large amount of resources. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political and social

conditions in China. The Chinese economy differs from the economies of developed countries in many respects, including the degree of government involvement, control of capital investment, as well as the overall level of development. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. We cannot predict future changes in China's economic, political and social condition and the effect that new government policies will have on our business and future prospects. Any actions and policies adopted by the PRC government or any prolonged slowdown in China's economy, in particular the mobile internet industry, could have a negative impact on our business, operating results and financial condition in a number of ways.

Uncertainties and changes in the Chinese legal system could materially and adversely affect our business.

We are based in China and our PRC subsidiaries generate revenue from providing mobile advertising services in China. Our business in China is governed by PRC laws and regulations. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, and forms of foreign investment (including wholly foreign-owned enterprises and joint ventures) in particular. These laws, regulations and legal requirements, including those governing PRC tax matters, are relatively new and amended frequently, and their interpretation and enforcement often raise uncertainties that could limit the reliability of the legal protections available to us. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) and interpretation of laws and policies by government that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until the violations have occurred. Furthermore, the PRC administrative and court authorities have significant discretions in interpreting and implementing or enforcing statutory rules and contractual terms. The interpretation or implementation by different government agencies and different officials may vary, and it may be more difficult to predict the outcome of administrative and court proceedings and the level of legal protection we may enjoy in China versus other more developed legal systems. These uncertainties may affect our judgment on the relevance of legal requirements and our decisions on the measures and actions to be taken to fully comply therewith, and may affect our ability to enforce our contractual or tort rights. Such uncertainties may result in substantial operating expenses and costs, and any litigation in China may result in diversion of resources and management's attention, and therefore materially and adversely affect our business and results of operations. We cannot predict future developments in the PRC legal system. We may be required to procure additional permits, authorizations and approvals for our operations, which we may not be able to obtain. Our inability to obtain such permits or authorizations may materially and adversely affect our business, financial condition and results of operations.

Laws and regulations governing the Internet industry and related businesses in China are evolving and may involve significant uncertainty.

The PRC government extensively regulates the Internet industry, including the foreign ownership of, and the licensing and permit requirements pertaining to, companies in the Internet industry. These Internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty as the interpretation by different government agencies and different officials may vary. With regard to the mobile internet industry in China, various regulatory authorities of the PRC central government, such as the State Council, the SAIC, the MOCT and the SART, and the Ministry of Public Security, are empowered to promulgate and implement regulations governing various aspects of the Internet and the mobile internet industries. There exist inconsistencies and ambiguities in the regulations promulgated by different government authorities. As a result, it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

Risks and uncertainties relating to PRC regulation of Internet-based businesses include new laws, regulations or policies may be promulgated or announced that will regulate Internet activities, including our service offerings. If these new laws, regulations or policies are promulgated, additional licenses may be required for our operations. If our operations do not comply with these new regulations after they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties and our business operations could be disrupted.

There are uncertainties relating to the regulation of the Internet industry in China, including evolving licensing requirements. This means that permits, licenses or operations of some of our companies may be subject to challenge, or we may fail to obtain or renew permits or licenses that applicable regulators may deem necessary for our operations. If we fail to maintain or obtain the required permits or licenses, we may be subject to various penalties, including fines and discontinuation of, or restriction on, our operations. Any penalty may disrupt our business operations and may have a material adverse effect on our results of operations.

The interpretation and application of existing or future PRC laws, regulations and policies relating to the Internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business. We cannot assure you that we will be able to maintain our existing licenses or obtain any new licenses required under any existing or new laws or regulations. There are also risks that we may be found to be in violation of existing or future laws and regulations given the uncertainty and complexity of China's regulation of internet businesses. If current or future laws, rules or regulations regarding internet-related activities are interpreted in such a way as to render our ownership structure and/or business operations illegal or non-compliant, our business could be severely impaired and we could be subject to severe penalties.

Fluctuations in the value of the Renminbi and other currencies may have a material adverse impact on your investment.

As we expand our China operations, we expect to incur more expenditures denominated in Renminbi, while the [REDACTED] from the [REDACTED] and any dividends we pay on our Shares will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar or U.S. dollar may affect the relative purchasing power in Renminbi terms of the proceeds from the [REDACTED]. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar may affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The Renminbi has been unpegged from the U.S. dollar since July 2005 and, although the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that the PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market in the future.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

The Chinese government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE.

Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, we cannot assure you that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition,

any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

We may rely on dividends and other distributions from our PRC subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our subsidiaries to make payments to us could materially and adversely affect our ability to conduct our business.

As an offshore holding company, we may rely in part on dividends from our PRC subsidiaries for our cash requirements, dividends payments and other distributions to our Shareholders, and to service any debt that we may incur and pay our operating expenses. The payment of dividends by entities organized in China is subject to limitations. In particular, PRC regulations permit our subsidiaries to pay dividends only out of their accumulated profits, if any, as determined in accordance with Chinese accounting standards and regulations. In addition, our PRC subsidiaries are required each year to set aside at least 10.0% of its annual after-tax profits (as determined under PRC accounting standards) into its statutory reserve fund until the aggregate amount of that reserve reaches 50.0% of such entity's registered capital. These reserves are not distributable as cash dividends.

If our PRC subsidiaries incur debt on their own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitation on the ability of our subsidiaries to distribute dividends or other payments to us could materially and adversely limit our ability to grow, make investments or acquisitions, pay dividends and otherwise fund and conduct our business.

PRC regulations over loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises, capital contributions by an offshore holding company to its wholly-owned subsidiary in China shall obtain approvals from or make record filings with MOFCOM or its local counterpart and register with the SAIC or its local counterpart to make capital contributions to the foreign-invested enterprises. In addition, any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE or its local branches, and our PRC subsidiaries may not procure loans exceeding the difference between its registered capital and its total investment amount as approved by or registered with MOFCOM or its local branches, or two times of its net assets or registered capital. We may not obtain these government approvals or complete such registrations on a timely basis, or at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to receive such approvals or complete such registration, our ability to use the [REDACTED] of the [REDACTED] to fund our operations in China may be negatively affected, which in turn could adversely affect our ability to finance and expand our business.

Failure to comply with PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability, may limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, may limit the ability of our PRC subsidiaries to distribute profits to us or may otherwise materially and adversely affect us.

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicle (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "Circular 37"), which was promulgated by SAFE, and became effective on July 4, 2014, (1) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or an Overseas SPV, that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (2) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV's PRC resident shareholder, name of the Overseas SPV, term of operation, or any increase or reduction of the contributions by the PRC resident, share transfer or swap, and merger or division. Additionally, pursuant to the Circular of SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "Circular 13"), which was promulgated on February 13, 2015 and became effective on June 1, 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

As confirmed by our PRC legal advisors, Mr. Gao, Mr. Zheng and Mr. HUA Xinjiang has completed the initial foreign exchange registration on May 27, 2016, May 27, 2016 and January 19, 2018, respectively. As Circular 37 and Circular 13 were recently promulgated, it remains unclear how they will be interpreted and implemented, and how or whether SAFE will apply them to us. Therefore, we cannot predict how they will affect our business operations or future strategies. For example, the ability of our present and prospective PRC subsidiaries to conduct foreign exchange activities, such as the remittance of dividends and foreign currency-denominated borrowings, may be subject to compliance with Circular 37 and Circular 13 by our PRC resident beneficial holders. In addition, as we have little control over either our present or prospective, direct or indirect Shareholders or the outcome of such registration procedures, we cannot assure you that these Shareholders who are PRC residents will amend or update their registration as required under Circular 37 and Circular 13 in a timely manner or at all. Failure of our present or future Shareholders who are PRC residents to comply with Circular 37 and Circular 13 could subject these Shareholders to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit the ability of our PRC subsidiaries to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

We may be unable to complete a business combination transaction efficiently or on favorable terms due to complicated merger and acquisition regulations.

On August 8, 2006, six PRC regulatory authorities, including MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "M&A Rules"), which became effective on September 8, 2006 and was amended in June 2009. The M&A Rules, governing the approval process by which a PRC company may participate in an acquisition of assets or equity interests by foreign investors, requires the PRC parties to make a series of applications and supplemental applications to the government agencies, depending on the structure of the transaction. In some instances, the application process may require presentation of economic data concerning a transaction, including appraisals of the target business and evaluations of the acquirer, which are designed to allow the government to assess the transaction. Accordingly, due to the M&A Rules, our ability to engage in business combination transactions has become significantly more complicated, time-consuming and expensive, and we may not be able to negotiate a transaction that is acceptable to our Shareholders or sufficiently protect their interests in a transaction.

The M&A Rules allow PRC government agencies to assess the economic terms of a business combination transaction. Parties to a business combination transaction may have to submit to MOFCOM and other relevant government agencies an appraisal report, an evaluation report and the acquisition agreement, all of which form part of the application for approval, depending on the structure of the transaction. The M&A Rules also prohibit a transaction at an acquisition price obviously lower than the appraised value of the PRC business or assets and in certain transaction structures, require that consideration must be paid within defined periods, generally not in excess of a year. In addition, the M&A Rules also limit our ability to negotiate various terms of the acquisition, including aspects of the initial consideration, contingent consideration, holdback provisions, indemnification provisions and provisions relating to the assumption and allocation of assets and liabilities. Transaction structures involving trusts, nominees and similar entities are prohibited. Therefore, such regulation may impede our ability to negotiate and complete a business combination transaction on legal and/or financial terms that satisfy our investors and protect our Shareholders' economic interests.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

SAT released a circular on December 15, 2009 that addresses the transfer of shares by nonresident companies, generally referred to as Circular 698. Circular 698, which became effective retroactively to January 1, 2008, may have a significant impact on many companies that use offshore holding companies to invest in China. Circular 698 has the effect of taxing foreign companies on gains derived from the indirect sale of a PRC company. Where a foreign investor indirectly transfers equity interests in a PRC resident enterprise by selling the shares in an offshore holding company, and the latter is located in a country or jurisdiction that has an effective tax rate less than 12.5% or does not tax foreign income of its residents, the foreign investor must report this indirect transfer to the tax authority in charge of that PRC resident enterprise. Using a "substance over form" principle, the PRC

tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of up to 10.0%.

SAT subsequently released public notices to clarify issues relating to Circular 698, including the Announcement on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the "SAT Notice 7"), which became effective on February 3, 2015. SAT Notice 7 abolished the compulsive reporting obligations originally set out in Circular 698. Under SAT Notice 7, if a non-resident enterprise transfers its shares in an overseas holding company, which directly or indirectly owns PRC taxable properties, including shares in a PRC company, via an arrangement without reasonable commercial purpose, such transfer shall be deemed as indirect transfer of the underlying PRC taxable properties. Accordingly, the transferee shall be deemed as a withholding agent with the obligation to withhold and remit the enterprise income tax to the competent PRC tax authorities. Factors that may be taken into consideration when determining whether there is a "reasonable commercial purpose" include, among other factors, the economic essence of the transferred shares, the economic essence of the assets held by the overseas holding company, the taxability of the transaction in offshore jurisdictions, and economic essence and duration of the offshore structure. SAT Notice 7 also sets out safe harbors for the "reasonable commercial purpose" test.

On October 17, 2017, The State Administration of Taxation released the Notice on Several Issues concerning the Withholding and Collection of Income Tax of Non-resident Enterprises from the Source (關於非居民企業所得稅源泉扣繳有關問題的公告) (the "SAT Notice 37"). SAT Notice 37 clarifies: (1) matters concerning the withholding and collection of corporate income tax, and property transfer of non-resident enterprises based on the Corporate Income Tax Law; (2) the currencies required to be used by the withholding agents (when the payments is made in a currency rather than RMB), as well as the time, venue and business for the performance of the withholding and collection obligations; and (3) the abolishment of Circular 698.

There is little guidance and practical experience regarding the application of SAT Notice 7 and SAT Notice 37 and the related SAT notices. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions. As a result, due to our complex offshore restructuring, we may become at risk of being taxed under SAT Notice 7 and SAT Notice 37 and we may be required to expend valuable resources to comply with SAT Notice 7 and SAT Notice 37 or to establish that we should not be taxed under SAT Notice 7 and SAT Notice 37, which could have a material adverse effect on our financial condition and results of operations.

In addition, since we may pursue acquisitions as one of our growth strategies, and may conduct acquisitions involving complex corporate structures, the PRC tax authorities may, at their discretion, adjust the capital gains or request that we submit additional documentation for their review in connection with any potential acquisitions, which may cause us to incur additional acquisition costs or delay our acquisition timetable.

We may be deemed to be a PRC tax resident under the EIT Law, and as a result, our income could be subject to PRC withholding tax and enterprise income tax.

We are a holding company incorporated under the laws of the Cayman Islands and indirectly hold interests in a Hong Kong-incorporated subsidiary, which in turn directly or indirectly hold interests in our PRC subsidiaries. Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) (the "EIT Law"), effective in January 2008, as amended on February 24, 2017, and its implementation rules, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10.0% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. Under an arrangement between China and Hong Kong, effective in January 2007, such dividend withholding tax rate is reduced to 5.0% for dividends paid by a PRC company to a Hong Kong-resident enterprise if such Hong Kong entity is a "beneficial owner" and such entity directly owns at least 25.0% of the equity interest of the PRC company. The Notice of the SAT on How to Comprehend and Determine the "Beneficial Owners" in Tax Treaties (國家税務總局關於如何理解和認定税收協定中"受益所有人"的通知), effective in October 2009, provides certain conditions under which a company cannot be defined as a "beneficial owner" under the treaty, and further provides that an agent or "conduit company" (defined as a company registered in the country of domicile to satisfy the organizational form as required by law, but it does not engage in such substantial business operations as manufacturing, distribution and management) shall not be deemed a "beneficial owner." If the PRC tax authorities determine that our Hong Kong subsidiary is a "conduit company," we may not be able to enjoy a preferential withholding tax rate of 5% and dividend payable by our PRC subsidiaries to our Hong Kong subsidiary will be subject to withholding tax at the rate of 10.0%.

The EIT Law and EIT implementation rules also provide that if an enterprise incorporated outside China has its "de facto management bodies" within China, such enterprise may be deemed a "PRC resident enterprise" for tax purposes and be subject to an enterprise income tax rate of 25.0% on its global incomes. "De facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, SAT promulgated a circular, known as Circular 82, and partially amended by Circular 9 promulgated in January 2014, to clarify the certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises or PRC enterprise groups. Under Circular 82, a foreign enterprise is considered a PRC resident enterprise if all of the following apply: (1) the senior management and core management departments in charge of daily operations are located mainly within China; (2) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in China; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in China; and (4) 50.0% or more of voting board members or senior executives of the enterprise habitually reside in China. Further to Circular 82, the SAT issued a bulletin, known as Bulletin 45, effective in September 2011 and amended on June 1, 2015 and October 1, 2016 to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese-controlled offshore incorporated resident enterprises." Bulletin 45 provides for, among other matters, procedures for the determination of resident status and

administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises that are registered outside China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT's criteria for determining the tax residence of foreign enterprises in general.

However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the tax authorities will treat a case such as ours. However, if the PRC authorities were to subsequently determine, or any future regulation provides, that we should be treated as a PRC resident enterprise, we will be subject to the uniform 25.0% enterprise income tax on our global incomes. In addition, although the EIT Law provides that dividend payments between qualified PRC-resident enterprises are exempt from enterprise income tax, due to the relatively short history of the EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC subsidiaries to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes.

There remains significant uncertainty as to the interpretation and application of applicable PRC tax laws and rules by the PRC tax authorities, and the PRC tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our shares may be materially affected.

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Shares.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10.0% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10.0% PRC income tax if such gain is regarded as income derived from sources within China unless a treaty or similar arrangement otherwise provides. Under the PRC Individual Income Tax Law (中華人民共和國個人所得税法) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

As described in the preceding risk factor, there is a risk that we will be treated by the PRC tax authorities as a PRC tax resident enterprise. In that case, any dividends we pay to our Shareholders may be regarded as income derived from sources within China and we may be required to withhold a 10.0% PRC withholding tax for the dividends we pay to our investors who are non-PRC corporate Shareholders, or a 20.0% withholding tax for the dividends we pay to our investors who are non-PRC individual Shareholders, including the holders of our Shares. In addition, our non-PRC Shareholders

may be subject to PRC tax on gains realized on the sale or other disposition of our Shares, if such income is treated as sourced from within China. It is unclear whether our non-PRC Shareholders would be able to claim the benefits of any tax treaties between their tax residence and China in the event that we are considered as a PRC resident enterprise. If PRC income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are incorporated in the Cayman Islands. Almost all of our assets and some of the assets of our Directors are located in China. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, the PRC Supreme Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under such arrangement, where any designated people's court of the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court of the PRC or Hong Kong court for recognition and enforcement of the judgment. The arrangement came into effect on August 1, 2008, but the outcome and enforceability of any action brought under the arrangement is still uncertain. In addition, China is not a party to any treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, most other Western countries or Japan, and therefore enforcement in China of judgments of a court in any of these jurisdictions may be difficult or impossible.

Inflation in China could negatively affect our profitability and growth.

Economic growth in China has, in the past, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation, including imposing various corrective measures designed to restrict the availability of credit or regulate growth. High inflation in the future may cause the PRC government to once again impose controls on credit and/or price of commodities, or to take other actions, which could inhibit economic activities in China. Any action on the part of the PRC government that seeks to control credit and/or price of commodities may adversely affect our business operations, causing negative impact on our profitability and growth.

[REDACTED]

[REDACTED]

[REDACTED]

WAIVERS AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that [REDACTED] must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. The business operations of the Group are located in China. Due to the business requirements of the Group, none of the executive Directors has been, is or will be based in Hong Kong. Our Company considers that it would be impracticable and commercially infeasible to appoint two Hong Kong residents as executive Directors or to relocate the existing executive Directors to Hong Kong considering that the operations of our Group are based outside of Hong Kong. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirement of Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will adopt, among others, the following measures:

(a) Our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal communication channel with the Stock Exchange and will ensure that we comply with the Listing Rules at all times. These two authorized representatives appointed are Mr. Gao, our founder, the chairman of the Board, our chief executive officer and an executive Director of our Company and Mr. CHAN Chi Keung, the company secretary of our Company, respectively. Mr. CHAN Chi Keung is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, e-mail and fax. Each of the two authorized representatives has been duly authorized to communicate on our Company's behalf with the Stock Exchange. The Company will inform the Stock Exchange promptly in respect of any change in its authorized representatives.

(b) Both authorized representatives have means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Company will implement a policy whereby (1) the executive Directors will provide valid phone numbers or other means of communication to the authorized representatives when they are traveling or out of office; and (2) each Director will provide his mobile phone number, office phone number, e-mail address and, where available, fax number to the Stock Exchange and will inform the Stock Exchange promptly if there are any changes to the contact details of the Directors.

(c) All our executive Directors, non-executive Directors and independent non-executive Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with relevant members of the Stock Exchange in Hong Kong upon reasonable notice.

(d) Our Company has appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, who will act as our additional communication channel with the Stock Exchange and will be available to respond to enquiries from the Stock Exchange.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the Contractual Arrangements which would constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules following the completion of the [REDACTED]. We have applied for, [and the Stock Exchange has agreed to grant,] a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules in relation to the non-exempt continuing connected transactions. Details of such non-exempt continuing connected transactions and the waiver are set out in the sections headed "Contractual Arrangements" and "Connected Transactions."

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. GAO Dinan (高弟男)	Room 205, 2/F, Building 2 Beiyuan East Road No. 19 Yard Chaoyang District Beijing, PRC	Chinese
Mr. ZHENG Wei (鄭煒)	Room. 1101, Unit 2, 10/F, Building 913, ShuiAn Village Chaoyang District Beijing, PRC	Chinese
Ms. ZHOU Yan (周豔)	Room 1006, 10/F, Building 18 Xinjiekouwai Avenue Xicheng District Beijing, PRC	Chinese
Non-executive Directors		
Ms. XIE Guowang (謝幗望)	B4-1-101, Xinghe Dandi Longhua District, Shenzhen Guangdong Province, PRC	Chinese
Mr. SONG Chunyu (宋春雨)	Room 602, Unit 5, 6/F Building 6, Lincuixili Chaoyang District Beijing, PRC	Chinese
Mr. ZHU Jing (朱菁)	Room 5, No. 63 Deep Water Bay Road Hong Kong	Chinese (Hong Kong)
Independent Non-Executive Directors		
Mr. CHEN Baoguo (陳寶國)	Room 601, Unit 7, Building 3 Bisenli Community Tian Village Haidian District Beijing, PRC	Chinese
Mr. LIANG Zhanping (梁戰平)	Room 103, Building 5 Liulin Hall Nanli No. 17 Fuxing Road Haidian District Beijing, PRC	Chinese
Ms. ZHAO Xuemei (趙學梅)	Room 602, Unit 3, Building 30 Heping Garden, Haigang District Qinhuangdao, Hebei Province PRC	Chinese

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors [REDACTED]
(in alphabetical order)

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Citigroup Global Markets Asia Limited
50/F, Champion Tower
3 Garden Road, Central
Hong Kong

ICBC International Capital Limited
(in the capacity as Joint Sponsor [REDACTED])
37/F, ICBC Tower
3 Garden Road
Hong Kong

[REDACTED]

Macquarie Capital Limited
Level 18, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Legal Advisors to our Company

As to Hong Kong and U.S. law:
Wilson Sonsini Goodrich & Rosati
Suite 1509, 15F, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC laws:
Haiwen & Partners
20/F, Fortune Financial Center
5 Dong San Huan Central Road, Chaoyang District
Beijing
PRC

	As to Cayman Islands law: Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal Advisors to the Joint Sponsors	*As to Hong Kong and U.S. laws:* Simpson Thacher & Bartlett 35th Floor, ICBC Tower 3 Garden Road, Central Hong Kong *As to PRC laws:* Global Law Office 15&20F, Tower 1, China Central Place 81 Jianguo Road, Chaoyang District Beijing PRC
Independent Auditors and Reporting Accountants	Ernst & Young *Certified Public Accountant* 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. 1014-1018, Tower B Greenland Hui Center 500 Yunjin Road Shanghai China
Receiving Bank	[REDACTED]

CORPORATE INFORMATION

Registered office	Vistra (Cayman) Limited P.O. Box 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road Grand Cayman, KY1-1205 Cayman Islands
Principal place of business in Hong Kong	[●] Hong Kong
Headquarters and principal place of business in the PRC	4/F, Building No. 6 Runfeng Deshang Yuan 60 Anli Road Chaoyang, Beijing PRC
Company's website	**www.wankaonline.com** *(information contained in this website does not form part of this document)*
Company Secretary	Mr. CHAN Chi Keung (陳志強) Flat 3422, Leung Shui House Leung King Estate Tuen Mun Hong Kong
Authorized representatives	Mr. GAO Dinan Room 205, 2/F, Building 2 Beiyuan East Road No. 19 Yard Chaoyang District Beijing, PRC Mr. CHAN Chi Keung Flat 3422, Leung Shui House Leung King Estate Tuen Mun Hong Kong
Audit committee	Mr. CHEN Baoguo *(Chairman)* Ms. ZHAO Xuemei Mr. ZHU Jing
Remuneration committee	Mr. LIANG Zhanping *(Chairman)* Mr. CHEN Baoguo Mr. ZHENG Wei
Nomination committee	Mr. GAO Dinan *(Chairman)* Mr. LIANG Zhanping Ms. ZHAO Xuemei

Compliance advisor

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

[REDACTED]

Principal banks

China Merchants Bank, Huizhong Beili Branch
1/F, Building 305
Chaoyang District
Beijing, PRC

Huaxia Bank, Andingmen Branch
No. 68 Andingmenwai Avenue
Dongcheng District
Beijing, PRC

We believe that the sources of the information in this section are appropriate sources for such information, and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading, or that any fact has been omitted that would render such information false or misleading. The information from official government and non-official sources has not been independently verified by us, the Joint Sponsors, [REDACTED], [REDACTED], [REDACTED], any of [REDACTED], any of their respective directors and advisors, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy. Accordingly, the official government and non-official sources contained herein may not be accurate and should not be unduly relied upon.

SOURCES OF INFORMATION

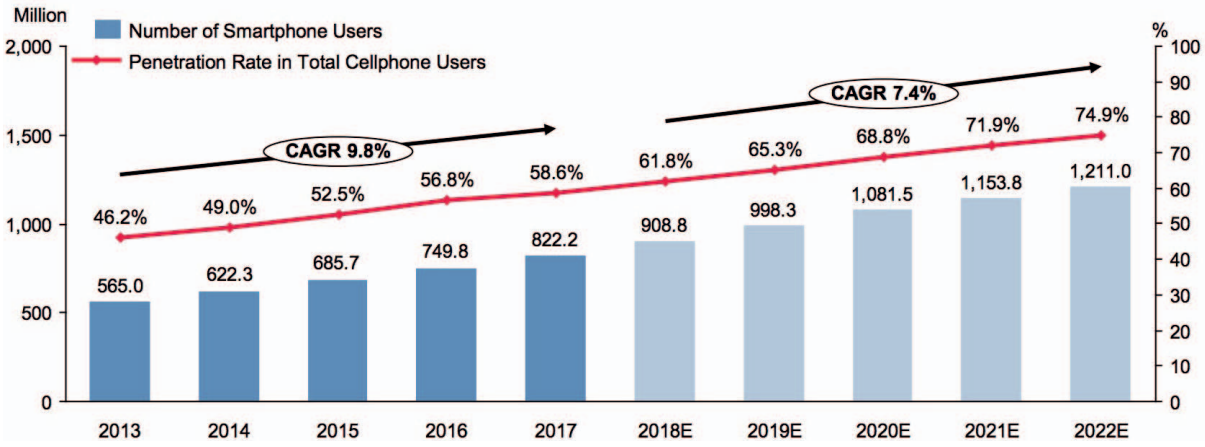
This section includes information from the F&S Report, a report commissioned by us as we believe such information imparts a greater understanding of the industry. Frost & Sullivan is a global consulting company and an independent third party. Founded in 1961, it has 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We have agreed to pay a total of RMB550,000 in fees for the preparation of the F&S Report. Figures and statistics provided in this document and attributed to Frost & Sullivan or the F&S Report have been extracted from the F&S Report and published with the consent of Frost & Sullivan. In preparing the F&S Report, Frost & Sullivan conducted both primary and secondary research to obtain information from various sources. Primary research involved discussing the status of the industry with leading industry participants and industry experts; and secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. In compiling and preparing the F&S Report, Frost & Sullivan assumed that (1) global social, economic, and political environment are likely to remain stable in the forecast period; (2) the consumer purchasing power is expected to continue to grow rapidly in emerging regions and to grow steadily in developed regions; and (3) related industry key drivers are likely to drive the respective market in the forecast period. All the data and information regarding our Company is provided by us.

OVERVIEW OF CHINA'S SMARTPHONE MARKET

Smartphone Users

There is a large and growing base of smartphone users in China. According to the F&S Report, the number of China's smartphone users increased from approximately 565.0 million in 2013 to 822.2 million in 2017 at a CAGR of 9.8% and is projected to reach approximately 1,211.0 million in 2022

at a CAGR of 7.4%. Meanwhile, the smartphone penetration rate increased from approximately 46.2% in 2013 to 58.6% in 2017, and is expected to reach approximately 74.9% in 2022.



Source: F&S Report

The underlying growth drivers of China's smartphone user base include the following:

- *Higher mobile Internet penetration.* Driven by innovations of mobile technology and wireless technology, including the coming 5G era, the number of mobile Internet users experienced rapid growth, and people are prone to use smartphones for better mobile Internet surfing experience.

- *Increasing affluence*. China's economy has grown rapidly over the past decades. According to the F&S Report, China's per capita disposable income of urban residents increased from approximately RMB26,500 in 2013 to RMB36,400 in 2017 at a CAGR of 8.3%, and is projected to reach approximately RMB53,000 in 2022 at a CAGR of 7.9%. Smartphones have become more affordable due to the increasing prosperity of Chinese consumers.

Smartphone Operation System Market

The two major mobile operation systems, Android and iOS, have established and are projected to retain their dominant positions in China's market. In 2017, Android and iOS accounted for 99.7% of China's smartphone OS market, and are projected to account for approximately 99.9% by 2022. Specifically, the Android system overwhelmingly dominates China's smartphone OS market. Its market share is projected to increase from approximately 86.2% in 2017 to 89.1% in 2022.

Mobile Hardcore Alliance

The MHA comprises seven major Chinese smartphone manufacturers, namely Huawei, Oppo, Vivo, Coolpad, Gionee, Lenovo, and Meizu, all of which primarily manufacture Android-based smartphones. While China's domestic smartphone shipments reached approximately 444.3 million units in 2017, MHA members accounted for a market share of approximately 62.1%, reaching 275.8 million units. MHA members' domestic smartphone shipments are projected to reach approximately 322.2 million units by 2022, accounting for a market share of 69.1%.

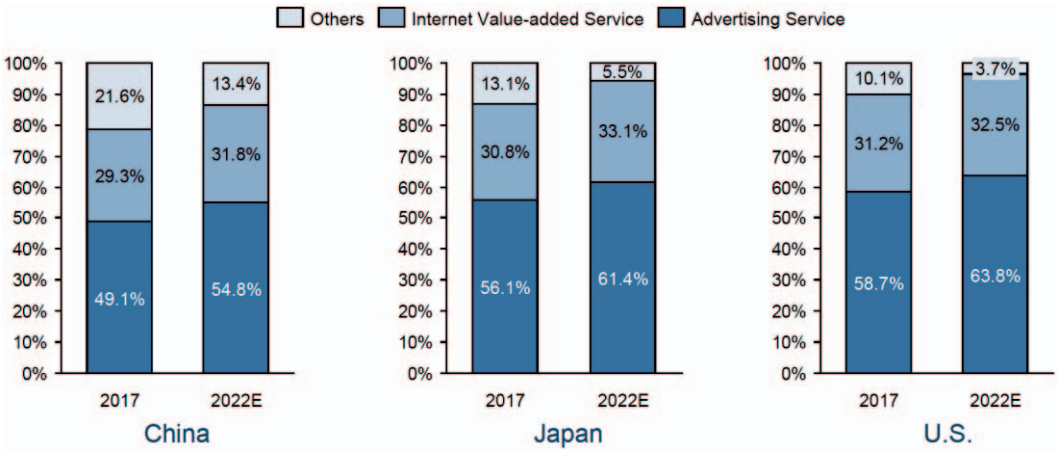
The dominant position of MHA members in China's smartphone market provides them access to a tremendous amount of users which manifest themselves as promising distribution channels for various contents. MHA's smartphone user base in China increased from approximately 146.5 million in 2013 to 491.8 million in 2017, representing a CAGR of 35.4%. Driven by further expansion of MHA members, the user base is projected to reach approximately 791.7 million by 2022. In 2017, MHA commanded a market share of approximately 45.3% in terms of downloads of all Android-based mobile game distribution channels.

POST-SALE MONETIZATION ANALYSIS OF CHINA'S SMARTPHONE MANUFACTURERS

Over the past decades, China's smartphone manufacturers experienced a decline of margin profit on sales of devices. Therefore, as the competition for greater market share intensifies, it becomes critical for smartphone manufacturers to maximize their post-sale monetization potentials to grow their business and gain competitive advantages.

Among the major post-sale monetization channels, advertising services account for a significant portion, followed by Internet value-added services. In 2017, China's smartphone manufacturers generated approximately 49.1% of their post-sale revenue from advertising services, compared to that of 56.1% and 58.7% in Japan and the United States, respectively. The advertising service market shows promising growth potential as such contribution is projected to reach approximately 54.8% by 2022. In addition, in 2017, China's smartphone manufacturers generated 29.3% of their post-sale revenue from Internet value-added services, such as operations and distributions of online apps and games and sales of online storage.

Smartphone Monetization Post-Sale Breakdown (2017, 2022E)



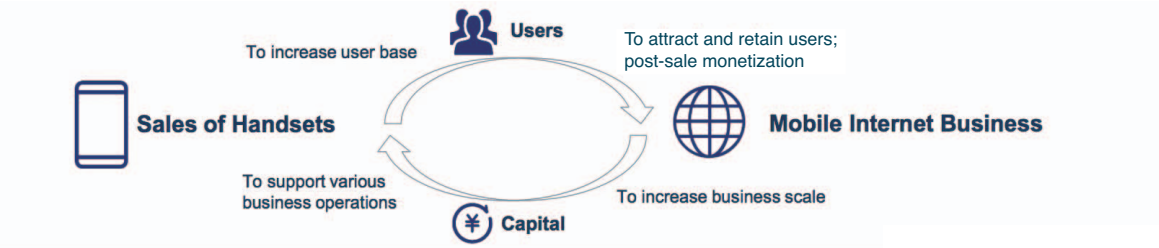
Source: F&S Report

UNIFIED MOBILE INTERNET PLATFORM

As an open-source operating system, Android has experienced a long-standing fragmentation which has created hurdles for Android-based mobile application developers and smartphone users. Android fragmentation is the result of different device manufacturers adapting a mobile OS for their own devices. The version of Android that runs on one brand's devices has been modified to work closely with that brand's hardware, the features of which, such as displays and user interfaces, can be different from another version for another brand. As a result, the effort required to develop mobile applications that work seamlessly on all brands of devices can be exhausting. It is costly for app developers to make adjustments to fit various displays and user interfaces across different brands of smartphones, in order to maintain user experience and acquire user base.

As a result, China's major smartphone manufacturers recognized the need for a unified mobile Internet platform to address Android fragmentation. In addition, they are keen on exploiting post-sale monetization opportunities in large-scale. Over the past decade, smartphone manufacturers experienced a decline of margin profits on sales of devices. They realized that by generating revenue from the mobile Internet business, they can support research and development for their products and increase sales of their handsets, which in turn bring them more user base and thus further enhance their monetization capabilities through the mobile Internet business. They also realized that they can maximize their gains from the business loop by a standardized and scalable model.

However, increasingly intensified competition in China's smartphone industry is a critical barrier for manufacturers to establish a strategic alliance spontaneously. Moreover, those manufacturers lack extensive experience and technology capabilities in relation to mobile Internet business operations. Our Company, by leveraging our relationships with these manufacturers as well as industry experience, seized the opportunity and facilitated the establishment of the MHA to help China's major smartphone manufacturers achieve considerable synergy. By establishing the strategic alliance, smartphone manufacturers are able to share various resources and facilitate the progress of unification of Android-based apps interface.



Source: F&S Report

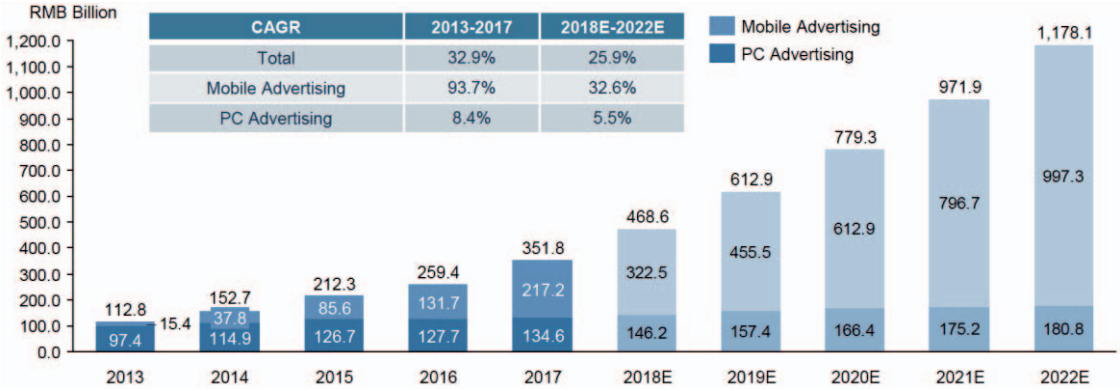
CHINA'S ONLINE MARKETING MARKET

Overview of China's Online Advertising Market

The increased penetration rate of the Internet over time has made it an increasingly important medium through which advertising services are created and delivered. China's online advertising market increased from approximately RMB112.8 billion in 2013 to RMB351.8 billion in 2017 at a CAGR of 32.9%, as measured by advertising spending. Driven by technology innovations and diversified business models, China's online advertising market is expected to reach approximately RMB1,178.1 billion by 2022 at a CAGR of 25.9%, much higher than that of 2.8% of offline advertising market.

Specifically, China's online advertising market is primarily driven by the mobile advertising market, the market size of which dramatically increased from RMB15.4 billion in 2013 to RMB217.2 billion in 2017 at a CAGR of 93.7%. Going forward, the market size of mobile advertising is expected to reach RMB997.3 billion by 2022 at a CAGR of 32.6%.

Online Advertising Market (China), 2013-2022E



Source: F&S Report

There are mainly three formats of mobile advertising, namely app store advertising, in-app advertising and browser-based advertising. According to the F&S Report, in 2017, app store advertising and in-app advertising together accounted for approximately 94.7% of the entire mobile advertising market in terms of advertising spending.

According to the F&S Report, a variety of pricing models are commonly used in the online advertising market, including among others, CPM, CPC, CPA and CPL. The fee arrangement for individual advertisers can vary vastly.

Increasing and Diversified Marketing Demands from Marketers

According to the F&S Report, in terms of industry sectors, China's mobile advertising market mainly consists of online game advertising, e-commerce advertising, online finance advertising and social network services advertising. Advertisers' expenses on mobile games significantly increased from approximately RMB6.0 billion in 2013 to RMB92.7 billion in 2017 at a CAGR of 98.4%, accounting for 42.7% of the entire mobile advertising market in 2017. The market size of mobile game advertising is projected to reach approximately RMB481.4 billion in 2022 at a CAGR of 36.0%. Similarly, driven by the growing smartphone user base, advertisers' expenses on e-commerce advertising and online finance advertising are projected to grow approximately at a CAGR of 32.8% and 33.9% from 2018 to 2022, respectively.

Furthermore, vertical extension by certain upstream industry customers, such as online insurance companies and digital entertainment companies, has led to demands for diversified advertising scenarios. For example, China's online insurance market rapidly increased from approximately RMB31.8 billion in 2013 to RMB304.1 billion in 2017 at a CAGR of 75.8%, and is projected to reach approximately RMB1,234.2 billion by 2022 at a CAGR of 32.8%. Compared to the traditional insurance industry, online insurance can provide more efficient and effective services to the insured through mobile devices. Similarly, China's digital entertainment market increased from approximately RMB233.0 billion in 2013 to RMB465.7 billion in 2017 at a CAGR of 18.9%, and is projected to reach approximately RMB1,031.6 billion by 2022. It has extended distribution channels for traditional culture products, such as literature, cartoons and films. Moreover, in line with the rapid growth of the number of online-video subscribers and the uprising digital entertainment market, the market size of online-video industry has increased significantly from approximately RMB14.0 billion in 2013 to RMB87.8 billion in 2017 at a CAGR of 58.2%, and is projected to reach approximately RMB250.0 billion by 2022 at a CAGR of 20.2%.

Key Drivers of China's Online Marketing Market

The development of China's online marketing market is primarily driven by the following factors:

- *Big data era*. The emergence of the big data has transformed the planning and execution of marketing campaigns. Marketers are increasingly taking advantage of big data to refine marketing strategies on a real-time basis for more cost-effective marketing results. Companies with advanced big data analytics capacities that harness large amount of unstructured data to derive valuable insights on user behaviors and marketing performance can help marketers achieve this goal.

- *Rising demand from small and medium-sized enterprises*. With the help of online marketing technologies, small and medium-sized enterprises have more options to promote their products and services and reach their targeted customers through various online marketing channels at relatively low costs. Companies with solutions and solution delivery models tailored to the need of small and medium-sized enterprises are expected to benefit from this trend.

- *Increasing mobile Internet users and smartphone users in tier-3 cities and below.* China's online marketing market, especially the mobile advertising market, has been driven by increasing mobile Internet users and smartphone users in tier-3 cities and below, as advertisers are making great efforts to reach potential target audience there. According to the F&S Report, in tier-3 cities and below, the number of mobile Internet users grew from approximately 283.8 million in 2013 to 436.8 million in 2017 at a CAGR of 11.4%, and is expected to reach approximately 584.0 million in 2022. In addition, the number of Android based smartphone users grew from approximately 259.2 million in 2013 to 402.3 million in 2017 at a CAGR of 11.6%, and is expected to reach approximately 726.0 million in 2022 at a CAGR of 11.3%.

Meanwhile, China's online marketing market also faces certain uncertainties:

- *Market consolidation*. There is a trend toward increased market consolidation for advertising companies. Mergers and acquisitions tend to create large advertising platforms that command imbalanced bargain power.

- *Rising competition*. Advertising companies and platforms will face fierce competition from well-established technology companies, as they possess extensive media resources and sophisticated data analytics capabilities.

- *Rising expectations of informed advertisers.* As the experience and expertise accumulates, many advertisers have become more informed with the marketing capability of various marketing service providers in terms of advertising inventories and data capacity. Moreover, innovated marketing technologies as well as the increasingly matured collaboration between advertisers and marketing service providers allows advertisers to have more control over their marketing campaigns. As a result, advertisers may have higher expectations and requirements on the form and effect of their marketing campaigns.

Significance of Artificial Intelligence and Big Data Analysis to Online Marketing

China's online marketing market still faces challenges, especially from a technology perspective. For example, the booming mobile Internet has greatly changed user behavior, in response to which advertisers increasingly tend to shift from PC terminals to mobile terminals to promote their products and services. On the other hand, due to the increasing volume of mobile Internet user traffic, the ability to analyze user data to obtain valuable insights has become critical for marketing companies to compete in the market.

Advanced technologies, especially big data analytics and artificial intelligence, have been increasingly utilized in China's online marketing over recent years to overcome such challenges. They help marketers optimize marketing resources and create and deliver tailored marketing contents to a wide range of audience effectively and efficiently. They also provide insights into massive user data and feedback on audience engagement.

The application of big data analysis in marketing services helps to develop more comprehensive audience profiles, including demographic information, media exposure, and consumption habits. With

such data, marketers can reach precise target audience, thereby optimizing exposure of their advertisements. The application of artificial intelligence technology enables a scalable personalized marketing campaign. Massive user traffic can be automatically recognized, extracted, packed, layered, and analyzed. In addition, artificial intelligence technology is much more powerful when being utilized by platforms that have direct access to information and data from both advertisers and media, as they can make more accurate predictions with such capabilities.

COMPETITIVE LANDSCAPE

Our Company is an innovative technology company in the mobile Internet market, helping connect businesses from various industries to hundreds of millions of Android-based smartphone users in China. We have built our business model within the ecosystem we created leveraging our sophisticated artificial intelligence and data analytics technologies embedded in our DAPG platform. During the Track Record Period, we generated revenue from providing mobile advertising services to marketers from various industries. See "Business—Our Business Model." While we do not directly compete with any technology companies in the mobile Internet market due to our unique business model and the ecosystem we have created, we compete with companies that distribute advertising contents to smartphone users in China, such as Baidu, Tencent and 360, which have established strong and broad presence across the online advertising market.

DEVELOPMENT OF QUICK APPS

Quick App is a brand-new mobile application ecosystem jointly developed by the QAA which comprises ten major Chinese smartphone manufacturers, namely Xiaomi, Huawei, ZTE, Gionee, Lenovo, Meizu, Nubia, Oppo, Oneplus and Vivo. The QAA aims to address the Android fragmentation concern by developing a unified platform that provides standardized development kits and working on access standardization to make sure Quick Apps can be operated on various Android-based smartphones.

Compared to traditional mobile apps, Quick Apps allow instant usage by smartphone users without having to visit any app stores or download any intermediary apps. Users can reach to various products and services by invoking Quick Apps within any specific scenarios.

From the perspective of mobile application developers, the standardized application development platform allows developers to develop Quick Apps that are compatible with various Android-based smartphones, thereby enabling them to significantly reduce development and user acquisition costs. Such standardization provides ease for more application developers to participate in this new ecosystem. Moreover, it lifts technical barriers for small and medium-sized marketers to have their own apps as marketing channels.

Quick App is projected to target a potentially tremendous smartphone user base, as the QAA accounted for 75.8% of China's smartphone market in terms of domestic smartphone shipments in 2017. The QAA's domestic shipment units are expected to reach 402.2 million in 2022, accounting for 86.2% of the market.

PRC LAWS AND REGULATIONS

Our business and operations in China are subject to laws and regulations issued by various PRC government authorities. Set forth below is the principal laws and regulations applicable to our current business and operations in China.

Regulations Relating to the Industry

Regulations on the Catalogue of Industries for Guiding Foreign Investment

For the purposes of guiding foreign investment, the Provisions on Guiding Foreign Investment Direction (指導外商投資方向規定) were promulgated by the State Council on February 11, 2002 and became effective on April 1, 2002 and foreign-invested industries generally fall into four categories pursuant to it: encouraged, permitted, restricted and prohibited. The encouraged, restricted and prohibited categories are listed in the current Foreign Investment Industrial Guidance Catalogue(the "Catalogue") (外商投資產業指導目錄), which was promulgated on June 26, 2017 and effective on July 28, 2017, and those not listed in the Catalogue would fall into the permitted category. The Catalogue was jointly promulgated by the NDRC and the MOFCOM and such Catalogue will be amended and re-promulgated from time to time by these two government authorities. According to the current effective version of the Catalogue, Internet culture (except for music) is a foreign investment prohibited industry. Foreign investment cannot hold any interest in companies engaged in such business.

Regulations on Internet Cultural Activities

On February 17, 2011, the Ministry of Culture (now called Ministry of Culture and Tourism) promulgated the "Provisional Regulations on the Administration of Internet Culture (Revised in 2011)", which took effect on April 1, 2011 and revised on December 15,2017 (Ministry of Culture Decree No. 57). Pursuant to Ministry of Culture Decree No. 57, Internet cultural activities refer to the activities of providing Internet cultural products and services, which mainly include: (1) the activities such as production, reproduction, import, release or broadcast of Internet cultural products. Internet cultural products refer to the cultural products produced, disseminated and circulated through Internet, which mainly include: (2) Internet cultural products that are made from music, games, shows (programs), performance, arts, cartoons or other cultural products by certain technical means and copied to the Internet for dissemination.

According to Ministry of Culture Decree No. 57, to engage in for-profit Internet cultural activities, an application shall be filed to the local culture authority at provincial level for approval and acquire an Online Culture Business Permit. According to the current effective version of the Catalogue,Internet culture (except for music) is a foreign investment prohibited industry.

Regulations on Internet Publication

On June 27, 2002, State Administration of Press, Publication, Radio, Film and Television now called State Administration of Radio and Television) and MIIT jointly issued the Interim Regulations on Administration of Internet Publication (the "Internet Publication Regulations") (互聯網出版管理暫行規定), which became effective from August 1, 2002. Pursuant to the Internet Publication Regulations, any act by an Internet information service provider to select, edit and process content or programs and to make such content or programs available on the Internet for the public to read, use and download shall constitute an Internet publication.

On February 4, 2016, SAPPRFT and MIIT jointly issued the Administrative Provisions on Online Publishing Services (the "Online Publishing Provisions") (網絡出版服務管理規定), which became effective from March 10, 2016 and replaced Internet Publication Regulations. Pursuant to Online Publishing Provisions, the term "online publishing services" refers to the provision of online publications to the public through information networks. The term "online publications" refers to digitized works with characteristics of publishing such as original digital works of literature, art, science and the like, containing text, pictures, maps, games, animation and audio/video of informational or thoughtful nature. To engage in online publishing services, an entity or individual must be approved by SAPPRFT in accordance with the law and acquire an Online Publishing Service License. According to the current effective version of the Catalogue，Online Publishing Service is a foreign investment prohibited industry.

Regulations on Game Co-publishing

On June 3, 2010, Ministry of Culture (now called Ministry of Culture and Tourism) promulgated Provisional Measures for the Administration of Online Games (the "Provisional Measures for Online Games") ("網絡遊戲管理暫行辦法"), which became effective on August 1,2010,and amended on December 15, 2017. Pursuant to Provisional Measures for Online Games, an applicant shall obtain an Online Culture Business Permit to engage in business activities involving operation of online games. On December 1, 2016, Ministry of Culture issued "Notice on Regulating Online Game Operation and Strengthening Interim and Ex Post Supervision" (the "Notice") ("網絡遊戲運營通知"), which became effective on May 1,2017. The Notice clarifies the business scope of online games: (1) the supply of online game products and services by online game publishers to the public by opening online game user registration or providing online game download services with financial gain obtained from charging online game users or from e-commerce, advertising and sponsorship. (2) the online game testing conducted by an online game publisher by opening user registration or online game charging system, or providing client-side applications which can be used for direct registration and login of its server is deemed as online game operation. (3) where an online game publisher provides user system, charging system, program download, promotion and other services for the online game products of other publishers, and participates in distributing the operational gains of such online games, it is deemed as having carried out joint operation activities, and shall undertake the corresponding responsibilities.

Regulations on internet security

On November 7, 2016, the Standing Committee of the National People's Congress promulgated the "Network Security Law of the People's Republic of China" (the "Network Security Law") (網絡安全法), which became effective on June 1, 2017. Pursuant to Network Security Law, the network operator shall strictly keep confidential the user information it collects, and establish and improve the user information protection system. No network operator may disclose, tamper with or destroy personal information that it has collected, or disclose such information to others without prior consent of the person whose personal information has been collected, unless such information has been processed to prevent specific person from being identified and such information from being restored.

Regulations on Intellectual Property Rights

Copyright

The Copyright Law of the PRC (中華人民共和國著作權法), promulgated on September 7, 1990 and became effective on June 1, 1991, and amended on October 27, 2001 and February 26, 2010, protects copyright and explicitly covers computer software copyright. The Regulations on Computer Software Protection of the PRC (中華人民共和國計算機軟件保護條例), promulgated on December 20, 2001 and became effective on January 1, 2002, and amended on January 30, 2013, protects the rights and interests of the computer software copyright holders and encourages the development of software industry and information economy. In the PRC, software developed by PRC citizens, legal persons or other organizations is automatically protected immediately after its development, with or without an application or approval. Software copyright may be registered with the designated agency and if registered, the certificate of registration issued by the software registration agency will be the preliminary evidence of the ownership of the copyright and other registered matters. On February 20, 2002, the National Copyright Administration of the PRC issued the Measures on Computer Software Copyright Registration (計算機軟件著作權登記辦法), which outlines the operational procedures for registration of software copyright, as well as registration of software copyright license and transfer contracts. The Copyright Protection Center of the PRC is mandated as the software registration agency under the regulations.

Trademarks

The Trademark Law of the PRC (the "Trademark Law") (中華人民共和國商標法) was promulgated on August 23, 1982 and became effective on March 1, 1983, and amended respectively in 1993 and 2001, and was further amended on August 30, 2013, protects registered trademarks. The Implementation Regulations on the Trademark Law of the PRC (中華人民共和國商標法實施條例) was promulgated on August 3, 2002 by the State Council, and was amended on April 29, 2014 and became effective on May 1, 2014. These current effective laws and regulations provide the basic legal framework for the regulations of trademarks in the PRC, where registered trademarks include commodity trademarks, service trademarks, collective trademarks and certificate trademarks. The Trademark Office of the State Administration for Industry & Commerce is responsible for the registration and administration of trademarks throughout the country. Trademarks are granted for a

term of ten years. At the 12 months prior to the expiration of the ten-year term, the trademark registrant shall apply for the renewal of registration; if the trademark registrant does not make the renewal during the foregoing period, another six months extension can be granted. Upon the registration of a trademark, the register will have the right to exclusively use the trademark.

Under the current effective Trademark Law, any of the following acts may be regarded as an infringement of the exclusive right to use of a registered trademark: (1) use of a trademark that is identical with a registered trademark on the same commodities without the licensing of the trademark registrant; or (2) use of a trademark that is similar to a registered trademark of the same kind of commodities or use of a trademark that is identical with or similar to a registered trademark on similar commodities which may be easily confusing without the licensing of the trademark registrant.

Patents

In the PRC, patent is mainly regulated by The Patent Law of the PRC (the "Patent Law") (中華人民共和國專利法), promulgated on March 12, 1984 by Standing Committee of the National People's Congress and amended respectively on September 4, 1992, August 25, 2000 and December 27, 2008 and The Implementation Regulations on the Patent Law of the PRC (中華人民共和國專利法實施細則), promulgated on June 5, 2001 by the State Council, and amended respectively on December 28, 2002 and January 9, 2010. The Patent Law and its implementation regulations stipulate three types of patents: inventions, utility model and design. An invention shall mean a new technological scheme proposed for a product, a process or the improvement thereof. A utility model shall mean an applicable and practical new technological scheme proposed for the shape or structure of a product or a combination thereof. A design shall mean a new design proposed for the shape or pattern of a product or a combination thereof and a combination of colors, shape and pattern which is full of aesthetic sense and is suitable for industrial application. The validity period of patent rights for an invention shall be 20 years, the validity period of patent rights for a utility model or a design shall be 10 years, the validity period shall commence from the date of application.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Implementing Rules on Registration of Domain Names (域名註冊實施細則) issued by China Internet Network Information Center (the "CNNIC"), the domain name registrar of the PRC, which became effective on May 29, 2012, Administrative Measures on Internet Domain Names (互聯網域名管理辦法), issued by MIIT on August 24 and effective as of November 1,2017, and the Measures on Domain Name Disputes Resolution (域名爭議解決辦法) issued by CNNIC which became effective on September 1, 2014. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Regulations on Foreign Currency Exchange

Pursuant to the Foreign Currency Administration Rules of the PRC (中華人民共和國外匯管理條例) promulgated by the State Council on January 29, 1996 and amended on January 14, 1997 and August 5, 2008, and various regulations issued by SAFE and other PRC regulatory agencies, payment of current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, may be made by conversion of Renminbi into foreign currencies without approval of SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions. Capital account items, such as direct equity investment, loans and repatriation of investment, require the prior approval from or registration with SAFE or its local branch for conversion of Renminbi into a foreign currency and remittance of the foreign currency outside the PRC.

SAFE Circular 59

On November 19, 2012, SAFE promulgated the Circular of SAFE on Further Improving and Adjusting the Direct Investment Foreign Exchange Administration Policies (the "Circular 59") (關於進一步改進和調整直接投資外匯管理政策的通知), effective as of December 17, 2012 and subsequently amended on May 4, 2015. Circular 59 substantially amends and simplifies the current foreign exchange procedure. Pursuant to Circular 59, the opening of various special purpose foreign exchange accounts (e.g. pre-investment expenses account, foreign exchange capital account, asset realization account, guarantee account) no longer requires the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. Reinvestment of lawful incomes derived by foreign investors in the PRC (e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment) no longer requires SAFE's approval or verification, and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign invested enterprise no longer requires SAFE's approval.

SAFE Circular 37

On July 4, 2014, SAFE promulgated the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicle (the "Circular 37") (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), effective as of July 4, 2014. Under Circular 37, (1) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or an Overseas SPV, that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (2) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV's PRC resident shareholder, name of the Overseas SPV, term of operation, or any increase or reduction of the contributions by the PRC resident, share transfer or swap, and merger or division. Additionally, pursuant to the Circular of SAFE on Further Simplifying and Improving the Direct Investment related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知), or Circular 13,

which was promulgated on February 13, 2015 and became effective on June 1, 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

SAFE Circular 19 , Circular 16 and Circular 3

On 30 March 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) (the"Circular 19"), which came into effect from 1 June 2015. According to the Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretional Foreign Exchange Settlement ("Discretional Foreign Exchange Settlement"). The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of an foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined as 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

Furthermore, the Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes:

- directly or indirectly used for payment beyond the business scope of the enterprises or payment prohibited by relevant laws and regulations;

- directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations;

- directly or indirectly used for granting entrusted loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by third parties) or repaying bank loans in Renminbi that have been sub-lent to a third party; and

- paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (關於改革和規範資本項目結匯管理政策的通知, or the "Circular 16") on 9 June 2016, which became effective simultaneously. Pursuant to the Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on self-discretionary basis. The Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital

and foreign debts) on a discretionary basis which applies to all enterprises registered in the PRC. The Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities. As the Circular 16 is newly issued and SAFE has not provided detailed guidelines with respect to its interpretation or implementations, it is uncertain how these rules will be interpreted and implemented.

In January 2017, SAFE issued SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知), or Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Regulations on Dividend Distribution

The principal laws and regulations regulating the dividend distribution of dividends by foreign-invested enterprises in the PRC include the Company Law of the PRC (中華人民共和國公司法) last amended in 2013, the Wholly Foreign-owned Enterprise Law (中華人民共和國外資企業法) last amended in 2016 and the Implementation Rules of the Foreign Invested Enterprise Law (外資企業法實施細則) promulgated in 1990 and last amended in 2014, the Equity Joint Venture Law of the PRC (中華人民共和國中外合資經營企業法) last amended in 2016 and its implementation regulations promulgated in 1983 and last amended in 2014, and the Cooperative Joint Venture Law of the PRC (中華人民共和國中外合作經營企業法) last amended in 2017 and its implementation regulations last amended in 2017. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as general reserves (法定公積金) at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided. These reserve funds may not be distributed as cash dividends. A wholly foreign-owned enterprise may allocate a portion of its after-tax profits to its employee welfare and bonus funds at its discretion. Profit of a wholly foreign-owned enterprise shall not be distributed before the losses thereof for the previous accounting years have been made up. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations on Taxation

Enterprise Income Tax

On March 16, 2007, the National People's Congress promulgated the Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得税法) which was last amended on February 24, 2017, and on December 6, 2007, the State Council enacted The Regulations for the Implementation of the Law on Enterprise Income Tax (中華人民共和國企業所得税法實施條例) (collectively, the "EIT Law"). The EIT Law came into effect on January 1, 2008. According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed a permanent establishment or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the permanent establishment or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) promulgated by the SAT and last amended on December 29, 2017 sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC.

The EIT Law provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are "non-resident enterprises", and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC shareholders reside. Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Tax on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) (the"Double Tax Avoidance Arrangement"), and other applicable PRC laws, if a Hong Kong resident enterprise satisfies relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (關於執行税收協議股息條款有關問題的通知) (the"Notice No. 81") issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily

tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Notice on the Interpretation and Recognition of Beneficial Owners in Tax Treaties (關於如何理解和認定税收協議中"受益所有人"的通知), which was issued on October 27, 2009 by the SAT, and the Announcement on the Recognition of Beneficial Owners in Tax Treaties (關於認定税收協議中"受益所有人"的公告), which was issued on June 29, 2012 by the SAT, and the Announcement on Issues Relating to "Beneficial Owner" in Tax Treaties (關於税收協定中"受益所有人"有關問題的公告), which was promulgated on February 3, 2018 and will be effective on April 1, 2018, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners and thus will not be entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

According to the EIT Law, the EIT tax rate of a "High and New Technology Enterprise" is 15%. Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises (高新技術企業認定管理辦法), effected on January 1, 2008 and amended on January 29, 2016, the certificate of a "High and New Technology Enterprise" is valid for three years. According to Notice of State Council on Implementation of Transitional Tax Incentives for Newly-established Advanced Hi-tech Enterprises in Special Economic Zones and Shanghai Pudong New District (國務院關於經濟特區和上海浦東新區新設立高新技術企業實行過渡性税收優惠的通知), effected on December 26, 2007, the income of advanced hi-tech enterprises supported by the State which are incorporated in the Special Economic Zones and Shanghai Pudong New District on or after 1 January 2008 derived in the Special Economic Zones and Shanghai Pudong New District shall be exempt from enterprise income tax in the first and second years with effect from the tax year in which the first sum of production and business income is derived and the income derived in the third to fifth years shall be subject to enterprise income tax based on a 50% reduction of the statutory tax rate of 25%. An enterprise shall, after being accredited as a high-tech enterprise, fill out and submit the statements on annual conditions concerning the intellectual property rights, scientific and technical personnel, expenses on research and development and operating income for the previous year on the "website for the administration of accreditation of high-tech enterprises". Besides, when any high-tech enterprise has changed its name or has undergone any major change concerning the accreditation conditions (such as a division, merger, reorganization or change of business), it shall report the change to the accreditation institution within three months upon occurrence of the change. If the high-tech enterprise is qualified upon review by the accreditation institution, it continues to have the qualification as a high-tech enterprise, and in case of change in the name, a new accreditation certificate will be issued with the number and term of validity remaining the same as the previous certificate; otherwise, the qualification as a high-tech enterprise shall be canceled as of the year of change in the name or in the change of any other condition.

Value-Added Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (中華人民共和國增值税暫行條例) promulgated by the State Council on December 13, 1993 and subsequently amended on November 10, 2008, February 6, 2016 and November 19,2017 respectively, and its Implementation Rules (中華人民共和國增值税暫行條例實施細則) promulgated by the Ministry of Finance of the PRC (the "MOF") (中華人民共和國財政部) on December 25,1993 and amended on December 15, 2008 and October 28, 2011 respectively, tax payers engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay value-added tax (the "VAT").

On November 16, 2011，the MOF and the SAT jointly promulgated the Pilot Plan for Levying Value-Added Tax in Lieu of Business Tax (營業税改征增值税試點方案). Starting from January 1, 2012, the PRC government has been gradually implementing a pilot program in certain provinces and municipalities, to levy a 6% VAT on revenue generated from certain kinds of services in lieu of the business tax.

Announcement of State Administration of Taxation on Promulgation of the Administrative Measures on Tax Exemption for Cross-border Acts Subject to VAT in the Pilot Scheme for Levying VAT in place of Business Tax (for Trial Implementation) (營業税改征增值税跨境應税行為增值税免税管理辦法(試行)), which was promulgated on May 6, 2016 by the SAT and effective on May 1, 2016, provides that if a domestic enterprise provides cross-border taxable services such as technology transfer, technical consulting, software service etc., the above mentioned cross-border taxable services shall be exempt from the value-added tax.

On March 23, 2016, the PRC Ministry of Finance and the SAT jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (the "Circular 36") (關於全面推開營業税改征增值税試點的通知) which confirms that business tax will be completely replaced by VAT from May 1, 2016.

The Notice of the Ministry of Finance and the SAT on the Adjustment to VAT Rates (關於調整增值税税率的通知), promulgated on April 4, 2017 and effective as of May 1, 2017, adjusted the applicative rate of Value-Added Tax as follows: (i) The deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. (ii) The deduction rate of 11% originally applicable to the taxpayers who purchase agricultural products is adjusted to 10%. (iii) When taxpayers purchase agricultural products for production, sales, or consignment processing, to which the tax rate of 16% is applicable, the input tax amount shall be calculated at the deduction rate of 12%. (iv) For the export goods to which a tax rate of 17% was originally applicable and the export rebate rate was 17%, the export rebate rate is adjusted to 16%. For the export goods and cross-border taxable activities to which a tax rate of 11% was originally applicable and the export rebate rate was 11%, the export rebate rate is adjusted to 10%. (v) For the goods or cross-border taxable activities specified in Paragraph 4 hereof that are exported or sold by foreign trade enterprises before July 31, 2018, if VAT has been levied at the rate not adjusted at the time of purchase, the export rebate rate not adjusted shall be applicable; if the VAT has been levied at the adjusted tax rate at the time of purchase, the adjusted export tax rebate rate shall be applicable. To the goods or cross-border taxable activities specified in Paragraph 4 hereof that are exported or sold by production enterprises before July 31, 2018, the export rebate rate not adjusted shall be applicable.

Employment And Social Welfare Law

The Labor Contract Law

Pursuant to the PRC Labor Law (中華人民共和國勞動法), which became effective on January 1, 1995 and was amended on August 27, 2009, the PRC Labor Contract Law (中華人民共和國勞動合同法), which became effective on January 1, 2008 and was amended on December 28, 2012, and the Implementing Regulations of the Labor Contract Law (勞動合同法實施條例), which was promulgated

by the State Council and became effective on September 18, 2008, (i) labor contracts in written form shall be executed to establish labor relationships between employers and employees, (ii) wages cannot be lower than local minimum wage standards, (iii) the employer must establish a system for labor safety and sanitation, strictly abide by state standards, and provide relevant education to its employees. The PRC Labor Law and the PRC Labor Contract Law provide for collective contracts to be developed through collaboration between the labor union (or worker representatives in the absence of a union) and management that specify such matters as working conditions, wage scales, and hours of work. The laws also permit workers and employers in all types of enterprises to sign individual contracts, which are to be drawn up in accordance with the collective contract. The PRC Labor Contract Law has enhanced rights for the nation's workers, including permitting open-ended labor contracts and severance payments. The legislation requires employers to provide written contracts to their workers, restricts the use of temporary labor and makes it harder for employers to lay off employees. It also requires that employees with fixed-term contracts be entitled to an indefinite-term contract after a fixed-term contract is renewed twice or the employee has worked for the employer for a consecutive ten-year period.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury (工傷保險條例) last amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (企業職工生育保險試行辦法) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (國務院關於建立統一的企業職工基本養老保險制度的決定) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (國務院關於建立城鎮職工基本醫療保險制度的決定) promulgated on December 14, 1998, the Unemployment Insurance Measures (失業保險條例) promulgated on January 22, 1999 the Social Insurance Law of the PRC (中華人民共和國社會保險法) implemented on July 1, 2011 and the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費征繳暫行條例) implemented on January 22, 1999, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds (住房公積金管理條例) last amended in 2002, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

OVERVIEW

We are an innovative technology company in the mobile Internet market, helping connect businesses from various industries to hundreds of millions of Android-based smartphone users in China. Based on our proprietary AI platform, we have built close collaboration with most leading Chinese branded smartphone manufacturers, which has enabled us to reach the largest smartphone user base in China.

We were founded by Mr. Gao in March 2014. Mr. Gao has nearly 14 years of experience in the technology industry and has been our chief executive officer steering the development of our Group. Mr. Zheng joined our Group in March 2016 and has been instrumental to the development of our Group by participating in overall strategic planning of our Group. See "Directors and Senior Management" for their biographical details. As of the Latest Practicable Date, Mr. Gao and Mr. Zheng were our Controlling Shareholders by an acting-in-concert arrangement entered into between them. See "— Corporate Structure" and "— Pre-[REDACTED] Investments — Information regarding the Pre-[REDACTED] Investors" for details of our current shareholdings structure and Shareholders.

OUR MILESTONES

The following table sets forth major events and milestones in the development of our business:

Year	Event
March 2014	We established Huanju Times, the first entity of our Group.
August 2014	We co-founded the MHA.
November 2014	Our Company was incorporated.
June 2016	Lenovo, Gionee and Coolpad became our strategic investors and business partners.
October 2016	We commenced our business by providing platform-based services leveraging our DAPG platform.
October 2017	We co-founded the Intelligent Terminal Software and Cloud Service Branch of the Software Industry of China (中國軟件行業協會智能終端軟件與雲服務分會).
January 2018	Meizu became our strategic investor and business partner.
March 2018	We acquired Shanghai ChiLe to expand our business scope.

OUR MAJOR SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES

The following subsidiaries of our Group had made material contribution to our results of operations during the Track Record Period and up to the Latest Practicable Date:

Name	Place of establishment	Date of Establishment	Principal Business Activities
Wanka Huanju	PRC	October 10, 2014	provision of manual distribution of mobile apps and mobile games
Huanju Times[(1)]	PRC	March 7, 2014	provision of platform-based services
Shanghai ChiLe[(2)(3)]	PRC	June 18, 2014	provision of online-video distribution services
Xinjiang ChiLe[(3)]	PRC	September 26, 2016	provision of online-video distribution services

(1) On March 22, 2016, Mr. Zheng acquired a total of 28% of the equity interest in Huanju Times from Mr. Gao and his spouse for a total consideration of RMB2.8 million, since which, Huanju Times has been held as to 72% by Mr. Gao and 28% by Mr. Zheng.

(2) On February 5, 2018, Mr. Gao acquired 51% of the equity interests in Shanghai ChiLe by increasing its registered share capital by RMB20.82 million in cash, since which, Shanghai ChiLe has been held as to 51% by Mr. Gao and 49% by Beijing Jingchi, a company controlled by Mr. HUA Xinjiang. Prior to such acquisition, Shanghai ChiLe was controlled by Mr. HUA Xinjiang.

(3) In March 2018, our Group acquired and controlled Shanghai ChiLe and its subsidiaries, including Xinjiang ChiLe, through contractual arrangements. See "— ChiLe Acquisition" for details.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY, RE-DESIGNATION OF SHARES AND SHARE SUBDIVISIONS

Our Company was incorporated as an exempted company with limited liability under the laws of Cayman Islands on November 7, 2014 with an authorized share capital of US$50,000 divided into 500,000,000 shares with a par value of US$0.0001 each.

Prior to November 2014, our offshore structure was held by our predecessor, Wanka Inc., a company incorporated in Cayman Islands on May 20, 2014. On November 7, 2014, our Company entered into a letter agreement with Wanka Inc. pursuant to which all the shares of Wanka Hong Kong would be transferred from Wanka Inc. to our Company for a consideration of HK$1.0. The transfer was completed on November 28, 2014 and since then, our Company has been the holding company of our Group.

On November 7, 2014, we issued 999,999 ordinary shares with a par value of US$0.0001 to Wanka Media Limited, a company wholly-owned by Mr. Gao, and one ordinary share with a par value of US$0.0001 to Offshore Incorporations (Cayman) Limited, which was transferred to Wanka Media Limited on the same day.

On April 6, 2016, Wanka Media Limited transferred 425, 597 Class A Ordinary Shares with a par value of US$0.0001 to Countryside Tech Inc., a company wholly-owned by Mr. Zheng, our executive Director and a Controlling Shareholder, for nil consideration.

Save as disclosed in this document, since our incorporation, we have also issued certain shares in different classes, warrants and convertible notes to our Pre-[REDACTED] Investors. See "— Pre-[REDACTED] Investments" for details of such shareholding changes.

Re-designation of Shares and Share Subdivisions

On March 1, 2016, we re-designated all our issued and unissued ordinary shares as either Class A Ordinary Shares or Class B Ordinary Shares, each with a par value of US$0.0001. We also re-designated our Shares into Preferred Shares from time to time arising from our Pre-[REDACTED] Investments. Holders of each of Class A Ordinary Share, Class B Ordinary Share and Preferred Shares have one vote in the Shareholders' meeting of our Company pursuant to current effective Articles.

On November 15, 2017, each of our issued and unissued share of US$0.0001 par value was subdivided into 50 shares of our Company with a par value of US$0.000002 such that the authorized share capital of our Company was US$50,000 divided into 25,000,000,000 Shares of US$0.000002 par value each (the "2017 Share Subdivision").

On [●], our Shareholders resolved that, among other things, (1) each of our issued and unissued Share of US$0.000002 par value will be subdivided into 10 shares of our Company with a par value of US$0.0000002 each (the "2018 Share Subdivision", together with the "2017 Share Subdivision", the "Share Subdivisions") and (2) conditional upon the satisfication (or, if applicable waiver) of the conditions set out in "[REDACTED]" and pursuant to the terms set out therein, on the [REDACTED],

all the issued and unissued Ordinary Shares and Preferred Shares will be re-designated (the "2018 Share Re-designation") as ordinary shares of our Company of US$0.0000002 par value each, such that the authorized share capital of our Company shall be US$50,000 divided into 250,000,000,000 Shares of US$0.0000002 par value each.

Concert Party Agreement

On June 15, 2018, Mr. Gao and Mr. Zheng entered into the concert party agreement (the "Concert Party Agreement"), pursuant to which, Mr. Gao and Mr. Zheng have undertaken to vote, themselves or through any entity directly or indirectly controlled by them that own our equity interest, unanimously for any resolutions proposed at the board of directors meetings and shareholders meeting of our Company, where applicable, and confirm that they have acted in concert in respect of their equity interests in our Company since the date when Mr. Zheng became our shareholder, being April 6, 2016. According to the Concert Party Agreement, if Mr. Gao and Mr. Zheng are unable to reach unanimous consensus, Mr. Gao will determine how to vote for and on behalf of himself and Mr. Zheng.

CONTRACTUAL ARRANGEMENTS

To pursue offshore financing opportunities, Wanka Huanju, Huanju Times, Mr. Gao and his spouse entered into a series of agreement, as a result of which Huanju Times and its subsidiaries had been controlled by Wanka Huanju through contractual arrangements since November 2014. In March 2016, as the shareholders of Huanju Times changed from Mr. Gao and his spouse to Mr. Gao and Mr. Zheng, Wanka Huanju, Huanju Times, Mr. Gao and Mr. Zheng entered into new agreements for the contractual arrangement in connection with Huanju Times. In March 2018, Wanka Huanju also entered into a new set of contractual arrangements with Shanghai ChiLe, Mr. Gao and Beijing Jinchi for the acquisition of Shanghai ChiLe, and has controlled Shanghai ChiLe and its subsidiaries through contractual arrangements since then. In June 2018, [REDACTED] and to comply with the requirements under the Listing Rules, Wanka Huanju entered into new sets of amended and restated contractual arrangement agreements with, among others, Huanju Times and Shanghai ChiLe, respectively, which replaced the previous agreements in connection with Huianju Time's contractual arrangements and Shanghai Chile's contractual arrangement. For details of our contractual arrangements, see "Contractual Arrangements."

CHILE ACQUISITION

To expand our business into online-video distribution services, we acquired Shanghai ChiLe and all its subsidiaries and consolidated them into our Group through certain contractual arrangements (the "ChiLe Acquisition") in March 2018. The consideration was settled by an issuance of 12,024,632 Class B Ordinary Shares of US$0.000002 par value each, which was determined on an arm's length basis based on the strategic value of Shanghai ChiLe to our Group.

Pursuant to a share purchase agreement (the "ChiLe Acquisition Agreement") dated March 12, 2018 entered into between, among others, our Company, Goodluckshome Inc., a company wholly-owned by Mr. HUA Xinjiang, and Mr. HUA Xinjiang, we agreed to issue to Goodluckshome Inc. an aggregate of 12,024,632 Class B Ordinary Shares of US$0.000002 par value each, as a consideration of which, Mr. HUA Xinjiang, Mr. Gao, Shanghai ChiLe, Wanka Huanju and other relevant parties entered into a series of agreements in connection with consolidation of Shanghai ChiLe and all its subsidiaries into our Group through contractual arrangements. See "Contractual Arrangements" for details. The ChiLe Acquisition was completed on March 12, 2018. The ChiLe Acquisition had been legally completed and settled and had obtained all material regulatory approvals.

Mr. HUA Xinjiang and entities controlled by him were not connected persons of our Company until completion of the ChiLe Acquisition. The ChiLe Acquisition constituted an acquisition of major subsidiary under Rule 4.05A of the Listing Rules. The pre-acquisition financial information of Shanghai ChiLe and its subsidiaries for the three years ended December 31, 2017 is set out in part III of the Accountants' Report in Appendix I to this document.

ADOPTION OF SHARE INCENTIVE SCHEMES

In recognition of the contributions of our Directors, senior management and employees and to provide further incentive, we [have adopted] the following share incentive schemes:

2016 Share Incentive Scheme

We adopted a share option scheme on March 31, 2016, which was amended, restated and replaced in its entirety by a restricted share unit scheme on May 24, 2018. The Core Trust Company Limited (彙聚信託有限公司), an independent third party, has been appointed as the trustee of the 2016 Share Incentive Scheme and Wanka Alliance Limited, a wholly-owned subsidiary of The Core Trust Company Limited, is the nominee of the RSU Scheme. Pursuant to the 2016 Share Incentive Scheme, the maximum number of Shares underlying the RSUs is 62,500,000 Shares, which was issued by us to Wanka Alliance Limited on May 24, 2018. As of the Latest Practicable Date, we had granted restricted share units representing an aggregate of 49,387,240 Shares to 60 grantees under the 2016 Share Incentive Scheme and the outstanding 13,112,760 Shares will be reserved for future grants after the [REDACTED]. See "Appendix IV — Statutory and General Information — D. Share Incentive Schemes — 1. 2016 Share Incentive Scheme" for details.

The Post-[REDACTED] Share Option Scheme

We have conditionally approved and adopted the Post-[REDACTED] Share Option Scheme on [●], which will become effective upon [REDACTED].

As of the Latest Practicable Date, no option has been granted by us pursuant to the Post-[REDACTED] Share Option Scheme. The maximum number of Shares that may be issued upon exercise of the options that may be granted under the Post-[REDACTED] Share Option Scheme shall not exceed 10% of our enlarged share capital upon completion of the [REDACTED] (assuming [REDACTED]). See "Appendix IV — Statutory and General Information — D. Share Incentive Schemes — 2. Post-[REDACTED] Share Option Scheme" for details.

PRE-[REDACTED] INVESTMENTS

Overview

To fund our rapid business expansion and broaden our shareholder base, we introduced a diverse group of Pre-[REDACTED] Investors including both strategic and financial investors. Based on the participation date of each of our Pre-[REDACTED] Investors, our Pre-[REDACTED] Investments can be generally classified into the following rounds:

(1) KIP Overseas Expansion Platform Fund ("KIP Overseas") participated in our Pre-[REDACTED] Investment in 2014 (the "2014 Pre-[REDACTED] Investments");

(2) KIP Overseas, Shenshang Xingye Venture Capital Limited ("Shengshang VC"), Made in China Ltd ("MIC"), Gionee (HK) Communication Equipment Limited (金立(香港)通信設備有限公司) ("Gionee"), Ultimate Lenovo Limited ("Lenovo"), Yulong Infotech Inc.("Coolpad") and Northern Light Venture Capital IV, Ltd. ("NLVC") participated in our Pre-[REDACTED] Investment in 2016 (the "2016 Pre-[REDACTED] Investments");

(3) ADV Startup Seed Fund I, L.P. ("ADV"), Investnet Finance Limited (the "Investnet"), NLVC, KIP Overseas, Ningbo New Summit Private Equity Fund I L.P. (寧波創世一期股權投資基金合夥企業(有限合夥)) ("China Creation Ventures") and Beyond Noble International Limited (向禦國際有限公司) ("Meizu") participated in our Pre-[REDACTED] Investment in 2017 (the "2017 Pre-[REDACTED] Investments"); and

(4) Richland China Limited Partnership (Richland"), NLVC, PICCAMCHK Oriental Patron 5 SP ("PICCAMCHK"), Goodluckshome Inc., KIP Bright (Chengdu) Equity Investment Partnership (LP) (景誠(成都)股權投資基金合夥企業(有限合夥)) (the "KIP Bright") and Richforest Global Investments Limited ("Richforest") participated in our Pre-[REDACTED] Investment in 2018 (the "2018 Pre-[REDACTED] Investments").

For details of each round of our Pre-[REDACTED] Investments, see "— Principal Terms of the Pre-[REDACTED] Investments." Our Directors are of the view that our Company would benefit from the additional capital injected by the Pre-[REDACTED] Investors' investments in our Company, their business resources, knowledge and experience, and potential business opportunities and benefits that may be provided by them.

The consideration for the Pre-[REDACTED] Investments were determined based on arm's length negotiation between our Company and the Pre-[REDACTED] Investors after taking into consideration of, among others, (1) the timing of investments, (2) the status of our business of our Group, and (3) the business resources, strategic cooperation opportunities and benefits that the Pre-[REDACTED] Investors could bring to our Company.

The table below sets forth a summary of the shareholding* of our Company immediately prior to the [REDACTED]:

Pre-[REDACTED] Investors	Class A Ordinary Shares	Class B Ordinary Shares	Series Pre-A Preferred Shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series B+ Preferred Shares	Series C Preferred Shares	Total Shares held by the Pre-[REDACTED] Investor	Equity interest in our Company held by the Pre-[REDACTED] Investor immediately prior to the [REDACTED](1) (%)	Equity interest in our Company held by the Pre-[REDACTED] Investor upon the [REDACTED](1)(2) (%)
Wanka Media Limited. .	262,284,300	—	—	—	—	—	—	—	262,284,300	21.91	[REDACTED]
Countryside Tech Inc.. .	—	212,798,500(3)	—	—	—	—	—	—	212,798,500	17.78	[REDACTED]
Goodluckshome Inc.. . .	—	120,246,320(4)	—	—	—	—	—	—	120,246,320	10.05	[REDACTED]
KIP Overseas and KIP Bright	—	—	62,500,000	28,410,500	—	8,421,000	6,059,930(5)	—	105,391,430	8.81	[REDACTED]
Shenshang VC, Richland, Investnet and Richforest	—	—	—	28,410,500(10)(13)	—	12,631,000(13)	34,236,130(13)	5,809,840(13)	81,087,470	6.78	[REDACTED]
RSU Nominee	—	62,500,000(6)	—	—	—	—	—	—	62,500,000	5.22	[REDACTED]
NLVC	—	24,917,200(7)	—	—	—	25,262,500	—	—	50,179,700	4.19	[REDACTED]
Gionee	—	39,273,500(8)	—	—	10,473,000	—	—	—	49,746,500	4.16	[REDACTED]
Coolpad	—	42,104,000	—	—	—	—	—	—	42,104,000	3.52	[REDACTED]
ADV.	—	—	—	—	—	42,104,000	—	—	42,104,000	3.52	[REDACTED]
PICCAMCHK	—	40,860,570(9)	—	—	—	—	—	—	40,860,570	3.41	[REDACTED]
Lenovo	—	39,999,000	—	—	—	—	—	—	39,999,000	3.34	[REDACTED]
Meizu	—	38,062,060	—	—	—	—	—	—	38,062,060	3.18	[REDACTED]
MIC	—	—	—	28,410,500(11)	—	—	—	—	28,410,500	2.37	[REDACTED]
China Creation Ventures	—	—	—	—	—	21,052,000(12)	—	—	21,052,000	1.76	[REDACTED]
Total.	**262,284,300**	**620,761,150**	**62,500,000**	**85,231,500**	**10,473,000**	**109,470,500**	**40,296,060**	**5,809,840**	**1,196,826,350**	**100.00%**	**[REDACTED]%**

* Unless otherwise stated, all the number of shares are adjusted to reflect the Share Subdivisions. See " - Major Shareholding Changes of our Company, Re-designation of Shares and Share Subdivisions."

(1) Calculated on as-converted basis.

(2) Assuming [REDACTED].

(3) On March 22, 2016, Mr. Zheng subscribed a total of 28% of the equity interest in Huanju Times from Mr. Gao and his spouse at an aggregate consideration of RMB2.8 million. On April 6, 2016, Wanka Media Limited transferred to Countryside Tech Inc., a company wholly-owned by Mr. Zheng, a total of 212,798,500 Class A Ordinary Shares for nil consideration, which was re-desiganted as Class B Ordinary Shares on June 14. 2016.

(4) See "— ChiLe Acquisition."

(5) These Shares are held by KIP Bright, an affiliate of KIP Overseas. On January 25, 2018, we issued to KIP Bright a warrant, in consideration for which, KIP Overseas provided to Wanka Sichuan a convertible loan of RMB20 million convertible into the equity interests of Wanka Sichuan. On May 21, 2018, KIP Bright fully exercised its warrant to subscribe for 6,059,930 series B+ preferred shares of our Company, in consideration for which, KIP Bright paid in cash of US$3.2 million.

(6) See "Appendix IV — Statutory and General Information — D. Share Incentive Schemes — 1. 2016 Share Incentive Scheme."

(7) On June 14, 2016 and January 30, 2018, Wanka Media Limited transferred to NLVC a total of 12,631,000 and 12,286,200 Class B Ordinary Shares, in consideration for which, NLVC paid in cash of US$900,000 and US$3 million, respectively.

(8) We issued to Gionee a warrant in 2016, in consideration for which, Gionee and its affiliates (1) terminated a supplemental agreement to a service agreement and (2) executed a renewed business cooperation between Gione, its affiliates and our Group. On May 29, 2018, Gionee fully exercised its warrant to subscribe for 39,273,500 Class B Ordinary Shares, in consideration for which, Gionee paid in cash of US$0.001274 (adjusted for the Share Subdivisions) per Share and provision of business resources to our Group.

(9) On January 30, 2018, we issued to PICCAMCHK a convertible promissory note in principal amount of US$10 million with annual simple rate of 5%, in consideration of which, PICCAMCHK paid in cash of US$10 million. On May 30, 2018, PICCAMCHK fully converted its note to subscribe for 40,860,570 Class B Ordinary Shares.

(10) We issued to Shenshang VC a warrant in 2016, in consideration for which, (1) an affiliate of Shenshang VC executed a convertible bond agreement in respect of its subscription of convertible bond in principal amount of RMB12 million issued by Huanju Times that was convertible into equity interests of Huanju Times and (2) Huanju Times reduced the registered capital of RMB12 million and returned the same amount to an affiliate of Shenshang VC. On May 9, 2018, Shenshang VC fully exercised its warrant to subscribe for 28,410,500 series A-1 preferred shares of our Company, in consideration for which, Shenshang VC paid in cash of US$2 million and terminated the convertible bond.

(11) We issued to MIC a warrant in 2016, in consideration for which, (i) an affiliate of MIC executed a convertible bond agreement in respect of its subscription of convertible bond in principal amount of RMB12 million issued by Huanju Times that was convertible into equity interests of Huanju Times and (ii) an affiliate of MIC provided a domestic loan of RMB12 million to our Group. On May 30, 2018, MIC fully exercised its warrant to subscribe for 28,410,500 series A-1 preferred shares of our Company, in consideration for which, MIC paid in cash of US$2 million and terminated the convertible bond.

(12) On April 18, 2017, we issued to China Creation Ventures a warrant, in consideration for which China Creation Ventures executed a loan agreement to provide Renminbi loan in the principal amount equivalent to US$2,500,000 to our Group. On May 30, 2018, China Creation Ventures fully exercised its warrant to subscribe for 21,052,000 series B preferred shares of our Company, in consideration for which, China Creation Ventures paid in cash of US$2.5 million and terminated the loan.

(13) All such series A-1 preferred shares of our Company were held by Shenshang VC. All such series B preferred shares of our Company were held by Investnet. All such series B+ preferred shares were held by Richland. All these series C preferred shares of our Company were held by Richforest. All of Shenshang VC, Investnet, Richland and Richforest are ultimately controlled by Mr. ZHU Jing, a non-executive Director. See " - Pre-[REDACTED] Investments - Information regarding the Pre-[REDACTED] Investors" for details.

Principal Terms of the Pre-[REDACTED] Investments

The table below summarizes the principal terms of the Pre-[REDACTED] Investment:

	Date of initial share purchase agreement	Date of last payment in each round of Pre-[REDACTED] Investments consideration	Total Consideration (US$)	Cost per Share paid[(1)] (US$)	Discount to the [REDACTED][(2)]
2014 Pre-[REDACTED] Investments	June 2014	November 21, 2014	1,000,000	0.016	[REDACTED]
2016 Pre-[REDACTED] Investments	March 1, 2016	March 1, 2016	KIP Overseas, Shenshong VC and MIC: 6,000,000 Gionee: See Note 3	KIP Overseas, Shenshang VC and MIC: 0.070 Gionee: See Note 3	[REDACTED]
	Lenovo: May 3, 2016; Coolpad: June 10, 2016; NLVC: June 14, 2016	June 14, 2016	Lenovo: US$50,000; Coolpad: See Note 4; NLVC: US$900,000	Lenovo: 0.001; Coolpad: See Note 4; NLVC: 0.071	[REDACTED]
2017 Pre-[REDACTED] Investments	April 18, 2017	April 18, 2017	13,000,000	0.119	[REDACTED]
	September 1, 2017	November 15, 2017	See Note 5	See Note 5	[REDACTED]
2018 Pre-[REDACTED] Investments	January 30, 2018	May 30, 2018	Richland: 9,262,500 NLVC: 3,000,000 PICCAMCHK: 10,000,000	Richland: 0.271 NLVC: 0.244 PICCAMCHK: 0.245	[REDACTED]
	KIP Bright: February 2, 2018; Goodluckshome Inc.: March 12, 2018	March 12, 2018	KIP Bright: RMB20 million; Goodluckshome Inc.: See Note 6	KIP Bright: RMB3.3; Goodluckshome Inc.: See Note 6	[REDACTED]
	May 24, 2018	May 24, 2018	5,000,000	0.861	[REDACTED]

(1) Calculated by dividing the total consideration paid by the total number of Shares on an as-converted basis (adjusted for Share Subdivisions).

(2) The discount to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per Share, and that the [REDACTED].

(3) The total consideration for 39,273,500 Class B Ordinary Shares subscribed by Gionee consists of (i) US$0.001274 per Share and (ii) provision of certain business resources to our Group. The total consideration for 10,473,000 series A-2 preferred shares of our Company subscribed by Gionee is RMB4 million paid in cash in US dollars. See "Financial Information — Description of Major Components of Our Consolidated Statements of Profit or Loss — Cost of Sales" for the financial impact of such investment.

(4) The total consideration for 42,104,000 Class B Ordinary Shares subscribed by Coolpad consists of (1) US$8.4208 and (2) business cooperation between our Group and affiliates of Coolpad. See "Financial Information — Description of Major Components of Our Consolidated Statements of Profit or Loss — Cost of Sales" for the financial impact of such investment.

(5) The total consideration for 38,062,060 Class B Ordinary shares subscribed by Meizu consists of (1) US$1,142 and (2) business cooperation between our Group and affiliates of Meizu. See "Financial Information — Description of Major Components of Our Consolidated Statements of Profit or Loss — Cost of Sales" for the financial impact of such investment.

(6) The consideration for issuance of 120,246,320 Class B Ordinary Shares to Goodluckshome Inc. arose from the acquisition of Shanghai ChiLe and its subsidiaries by our Company. See "Financial Information — Significant Accounting Policies, Estimates and Assumptions — Share-based Payments" for the relevant accounting treatment of payments.

Lock-up Period

The Pre-[REDACTED] Investors are subject to a lock up of 180 days from the [REDACTED] pursuant to the lock-up undertakings provided by the Pre-[REDACTED] Investors on [●].

Public Float

Upon completion of the [REDACTED], the Shares held by the Pre-[REDACTED] Investors will count towards part of the public float, except for the Shares held by Goodluckshome Inc., a company controlled by Mr. HUA Xinjiang, a director of Shanghai ChiLe and a core connected person of our Company. See "— Corporate Structure" for details of their beneficial interests in our Company.

[REDACTED] from the Pre-[REDACTED] Investment

We utilized portion of and expect to use the outstanding [REDACTED] from the Pre-[REDACTED] Investments for, among others, the development and operation of our business, including but not limited to recruitment, new business development, technology development and administrative and marketing expenses.

Special Rights of the Pre-[REDACTED] Investors

In connection with the Pre-[REDACTED] Investments, the Pre-[REDACTED] Investors became parties to the Shareholders' Agreement at the time of their relevant investment.

Our Pre-[REDACTED] Investors are currently bound, where applicable, by the provisions and terms of our articles of association currently effective as at the date of this document, the amended and restated shareholders' agreement dated May 24, 2018 entered into among our Company and the Pre-[REDACTED] Investors (the "Shareholders' Agreement") and certain supplemental agreements and cooperation agreements entered into between our Group and certain Pre-[REDACTED] Investors in connection with the Pre-[REDACTED] Investments (altogether the "Pre-[REDACTED] Investments Documents").

Pursuant to the Pre-[REDACTED] Investments Documents, the Pre-[REDACTED] Investors were granted certain special rights in relation to our Company, including, among others, (1) board appointment right, board observer right and certain other cooperate governance rights, (2) veto rights granted to relevant directors and shareholders, (3) information and inspection rights, (4) preemptive rights, (5) share transfer restrictions, (6) right of co-sale, (7) registration rights, (8) redemption right of our Company (the "Redemption Right"), and (9) right of first refusal granted to our existing shareholders and our Company for purchase of shares of certain Pre-[REDACTED] Investors (the "Right of First Refusal"). In accordance with the terms of the Pre-[REDACTED] Investments

Documents, the Redemption Right and the Right of First Refusal have been terminated on May 24, 2018, and all the other special rights will be terminated upon completion of the [REDACTED].

On the [REDACTED], all of the Ordinary Shares and the Preferred Shares will be converted and re-designated into ordinary shares of our Company with par value of US$0.0000002 per Share on an one to one basis such that our share capital will comprise of only one class of Share with par value of US$0.0000002 per Share. See "Share Capital" for details.

Information regarding the Pre-[REDACTED] Investors

Goodluckshome Inc.

Goodluckshome Inc. is a holding company incorporated under the laws of BVI and is wholly-owned by Mr. HUA Xinjiang, a director of Shanghai ChiLe and connected person.

KIP Overseas and KIP Bright

KIP Overseas is a limited liability partnership incorporated under the laws of the Republic of Korea and primarily focus on investing in small and medium enterprises of Korea entering oversea or oversea investment connected with promoting small and medium enterprises of Korea. KIP Bright is a limited partnership incorporated under the laws of the PRC and primarily focus on equity investment. The general partner of both KIP Overseas and KIP Bright is Korea Investment Partners Co., Ltd., which is controlled by Korea Investment Holdings Co., Ltd., a public company listed on the Korea Exchange (stock code: 071050) and an independent third party.

NLVC

NLVC is a limited liability company incorporated under the laws of Cayman Islands and is primarily engaged in equity investment. NLVC is ultimately controlled by Northern Light Venture Fund IV, L.P., Northern Light Strategic Fund IV, L.P. and Northern Light Partners Fund IV, L.P., the general partner of all the three limited partnerships is Northern Light Partners IV, L.P., which was ultimately controlled by DENG Feng, an independent third party.

Gionee

Gionee is a limited liability company incorporated under the laws of Hong Kong and is primarily engaged in equity investment. Gionee is ultimately controlled by LIU Lirong, an independent third party.

Coolpad

Coolpad is a limited liability company incorporated under the laws of British Virgin Islands and is primarily engaged in equity investment. Coolpad is controlled by Coolpad Group Limited. Coolpad Group Limited, an independent third party, is a public company listed on the Stock Exchange (stock code:2369) and is a smartphone manufacturer and telecommunication operator.

ADV

ADV is a limited liability partnership incorporated under the laws of Cayman Islands and is primarily engaged in investing in industries among technology, media and telecom, internet of vehicles, artificial intelligence robots, intelligent hardwares, biological industry and medical industry. The general partner of ADV is ADV Capital Management Co., Ltd. Ms. XIE Guowang, a non-executive Director, serves as a director of ADV Capital Management Co., Ltd..

PICCAMCHK

PICCAMCHK, primarily engaged in private equity investment, is a segregated portfolio under PICC Investment Fund SPC, which is a segregated portfolio company incorporated under the laws of Cayman Islands. PICC Asset Management (Hong Kong) Company Limited, the sole management shareholder of PICC Investment Fund SPC, is a wholly-owned subsidiary of The People's Insurance Company (Group) of China Limited, a public company listed on the Stock Exchange (stock code: 01339) and an independent third party.

Lenovo

Lenovo is a limited liability company incorporated under the laws of BVI and is primarily engaged in equity investment. Lenovo is controlled by Lenovo Group Ltd, a public company listed on the main board of the Stock Exchange (stock code: 0992) and an independent third party.

Meizu

Meizu is a limited liability company incorporated under the laws of BVI and is primarily engaged in equity investment. Meizu is controlled by Zhuhai Meizu Technology Co., Ltd. (珠海市魅族科技有限公司), which is ultimately controlled by HUANG Xiuzhang, an independent third party.

Shenshang VC, Richland, Investnet and Richforest

Shenshang VC is a limited liability company incorporated under the laws of BVI and is primarily engaged in equity investment. Richland is a limited liability partnership incorporated under the laws of Cayman Islands and is primarily engaged in equity investment. The general partner of Richland is Richland Cayman Limited. Investnet is a limited liability company incorporated under the laws of BVI and is primarily engaged in equity investment. Richforest is a limited liability company incorporated under the laws of British Virgin Islands and is a holding company for equity investment. All of Shenshang VC, Richland, Investnet and Richforest are ultimately controlled by ZHU Jing, a non-executive Director.

MIC

MIC is a limited liability company incorporated under the laws of Cayman Islands and is primarily engaged in capital and equity investment. MIC is ultimately controlled by CHEN Ping, an independent third party.

China Creation Ventures

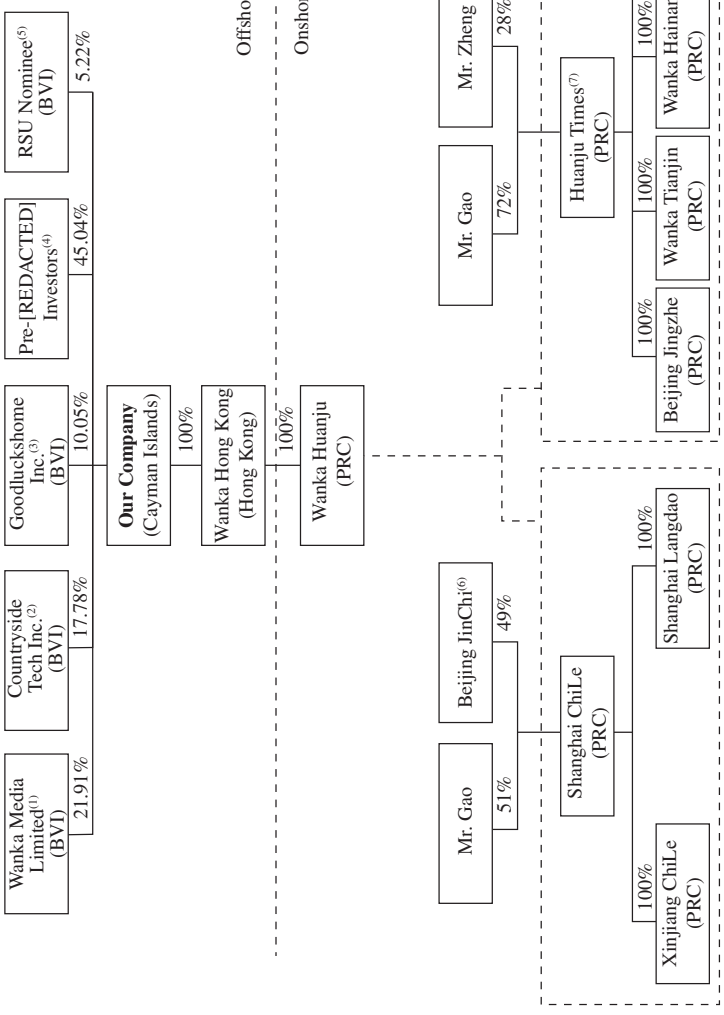
China Creation Ventures is a limited liability partnership established under the laws of the PRC and primarily focus on the investment in technology, media and telecom industry. The general partner of China Creation Ventures is Ningbo CCV Private Equity Investment Management L.P., which is ultimately controlled by ZHOU Wei, an independent third party.

Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors confirm that the Pre-[REDACTED] Investments are in compliance with the Guidance Letter HKEX-29-12, the Guidance Letter HKEX-GL43-12 and the Guidance Letter HKEX-GL44-12 issued by the Stock Exchange.

CORPORATE STRUCTURE

The following chart illustrates corporate structure and shareholding structure of our Group as of the Latest Practicable Date:



——— Equity interests

- - - - - - - Contractual arrangements. See "Contractual Arrangements" for details.

(1) Wanka Media Limited is wholly owned by Mr. Gao.

(2) Countryside Tech Inc. is wholly owned by Mr. Zheng.

(3) Goodluckshome Inc. is wholly owned by Mr. HUA Xinjiang.

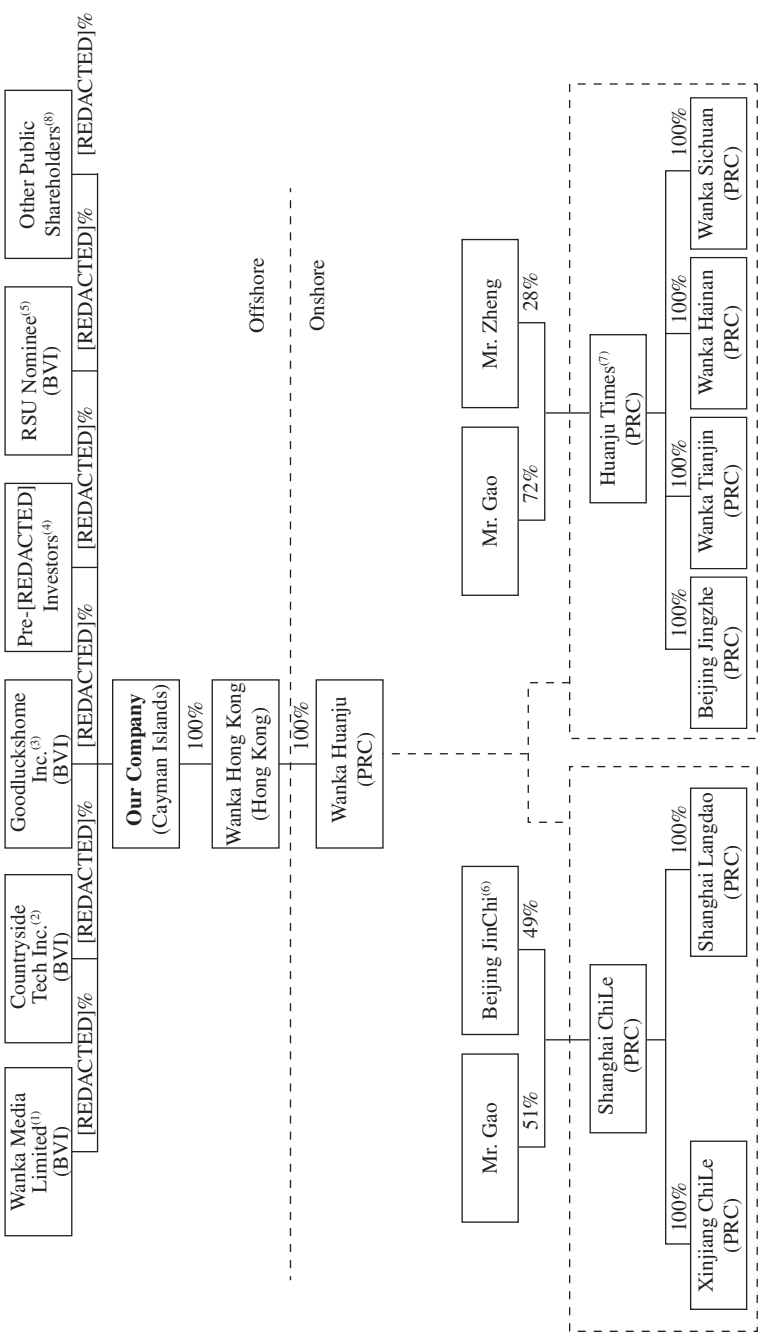
(4) See " — Pre-[REDACTED] Investments" for details of the other Pre-[REDACTED] Investors.

(5) The RSU Nominee is wholly-owned by The Core Trust Company Limited, the trustee of the 2016 Share Incentive Scheme and an independent third party. See "Appendix IV — Statutory and General Information — D. Share Incentive Schemes — 1. 2016 Share Incentive Scheme" for details.

(6) Beijing JinChi was ultimately controlled by Mr. HUA Xinjiang, a connected person of our Company.

(7) Huanju Times Culture Media (Chengde) Co., Ltd., a subsidiary of Huanju Times, is in the process of deregistration.

The following chart illustrates corporate structure and shareholding structure of our Group immediately following the completion of the [REDACTED] (assuming no exercise of the [REDACTED] and taking into no account of any Share to be issued upon exercise of any option that may be granted under the Post-[REDACTED] Share Option Scheme):



(1) — (7) See notes to the corporate structure of our Company as at the Latest Practicable Date on page 106 of this document for details.

(8) The public float of our Company upon the [REDACTED] can be satisfied by taking into account of the Shares held by certain Pre-[REDACTED] Investors that are independent third parties. See "—Pre-[REDACTED] Investment — Public Float" fort details.

REGULATORY REQUIREMENTS OF CHINA

According to the Regulations for Merger with and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "M&A Rules") jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, if a Chinese company or individual intends to acquire his related domestic company through an offshore company which he lawfully established or controls, such acquisition shall be subject to the examination and approval of MOFCOM. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for the [REDACTED] purposes and controlled directly or indirectly by Chinese companies or individuals, shall obtain the approval of the CSRC prior to the [REDACTED] and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the Chinese companies in exchange for the shares of offshore companies.

Our PRC legal advisors are of the opinion that, unless new laws and regulations are enacted or MOFCOM and CSRC publish new provisions or interpretations on the M&A Rules in the future, prior CSRC or MOFCOM approval for the [REDACTED] is not required because (1) the CSRC currently has not issued any definitive rule or interpretation concerning whether the [REDACTED] like ours are subject to the M&A Rules; (2) our PRC subsidiaries were not established through mergers or acquisition of domestic companies owned by PRC companies or individuals as defined under the M&A Rules, and (3) that no provision in the M&A Rules clearly classified contractual arrangements as a type of transaction subject to the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented, and whether the relevant PRC government authorities will reach the same conclusion as our PRC legal advisors.

SAFE REGISTRATION IN CHINA

Pursuant to the Circular of SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外融資及返程投資外匯管理有關問題的通知) (the "SAFE Circular 37"), issued by SAFE and effective on July 4, 2014, (1) a PRC resident must register with the local SAFE branch before he contributes assets or equity interests to an overseas special purpose vehicle (the "Overseas SPV") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (2) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPA, including, among others, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-boarder foreign exchange

activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Pursuant to the Circular of SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知 (the "SAFE Circular 13"), issued by SAFE and effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC legal advisors, our ultimate Shareholders, Mr.Gao, Mr. Zheng and Mr. HUA Xinjiang, who are PRC residents as defined under the SAFE Circular 37 have completed their registration under SAFE Circular 37 as of the date of this document, which is in compliance with SAFE Circular 37.

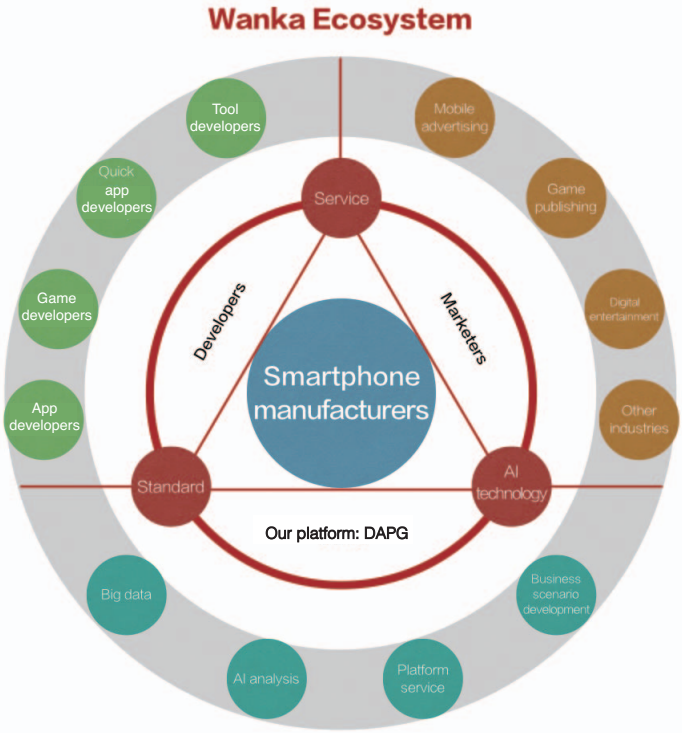
OVERVIEW

We are an innovative technology company in the mobile Internet market, helping connect businesses from various industries to hundreds of millions of Android-based smartphone users in China. Based on our proprietary AI platform, we have built close collaboration with most leading Chinese branded smartphone manufacturers, which has enabled us to reach the largest smartphone user base in China.

In addition to monetizing from providing mobile advertising services to marketers, we have recently expanded into online game publishing and online-video distribution businesses. We believe our first mover advantage in helping connect isolated Android-based systems of Chinese smartphone manufacturers will enable us to expand into additional verticals in the future and empower businesses to promote and deliver their contents and services to smartphone users in more efficient and innovative manners.

We have built our services based on artificial intelligence and data analytics capabilities embedded in our platform. It enables us to precisely and efficiently target Android-based smartphone users, and deliver personalized, real-time and scenario-based content from our marketers through smartphone manufacturers' native mobile apps and user interfaces. We continually refine our big data analytics, optimize the effectiveness of our services and increase our operational efficiency as we scale up our business.

We have created a vibrant Android-based mobile ecosystem consisting of smartphone manufacturers, marketers from different industries and app developers. We offer smartphone manufacturers additional revenue streams with high profit margin and growth potential besides selling devices. Leveraging the massive user base accumulated by smartphone manufacturers, we provide marketers with innovative and cost-effective ways to optimize their online marketing efforts. For app developers, we have established and implemented unified technical standards to streamline their development process.



We have grown rapidly since our inception. During the Track Record Period, we generated our revenue primarily from mobile advertising services to marketers from various industries, and we will continue to diversify our revenue streams. Our revenue grew from RMB15.3 million in 2015 to RMB485.6 million in 2017, representing a CAGR of 463.5%. The number of mobile games and mobile apps we marketed grew from five in 2015 to 2,817 in 2017.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiated us from our competitors.

Pioneering technology and service provider in China's mobile Internet market

We are a pioneering technology and service provider in China's mobile Internet market. We focus on establishing a platform that helps marketers from different industries attract traffic and distribute their contents to consumers through Android-based smartphones. Our business revolves around smartphones because we believe they are the basic interface through which users gain access to the mobile Internet and at the same time enjoy significant advantages in terms of relatively infrequent device replacements, flexible content delivery methods and greater user trust in devices over mobile apps. We target Android-based smartphones in particular because of their predominant market share and monetization potential. In 2017, Android-based smartphones commanded an 86.2% market share in China's smartphone industry, according to the F&S Report.

We are familiar with the challenges facing China's Android-based smartphone manufacturers and are uniquely positioned to capitalize on the growth opportunities in the Android-based smartphone industry. Android is an open-source operating system that smartphone manufacturers could use and modify to build their own devices. Historically, China's Android-based smartphone industry has struggled with the fragmentation of mobile operating systems and the absence of established unified technical standards among different smartphone manufacturers, which has led to difficulties for Android-based Internet service providers to expand their service offerings.

To capitalize on the massive market share of Android-based smartphones and offer solutions to the fragmentation in the Android smartphone industry, we led and coordinated the founding of the MHA in 2014, a network of seven leading Chinese smartphone manufacturers. We serve as the secretariat and official media partner of the MHA and holder of the MHA trademark. We have established close strategic relationships with MHA members, allowing us ready access to the largest smartphone user base in China. Leveraging our monetization capabilities and proprietary technologies, we have also established business relationships with dozens of other major smartphone manufacturers in China. With access to massive database and our DAPG platform, we offer a comprehensive catalogue of customized platform-based solutions to marketers from a broad range of industries and mobile app developers to improve their monetization capabilities.

Proprietary platform propelled by robust artificial intelligence and data analytics technologies

Our core technology platform is DAPG, through which we optimize the marketing efforts of marketers from different industries by effectively and efficiently discovering and delivering content to smartphone users with real-time feedback. We analyze anonymized data and deliver personalized content created by marketers to the targeted audiences. In particular, our DAPG platform is able to group user data and/or behaviors as separate hierarchies based on their different commercial values. As a result, we are able to utilize the value of the long-tail data in order to capture their full monetization potential, which allows smartphone manufacturers to apply a long-tail strategy to realize gains from delivering non-mainstream content to smartphone users. In addition, the content delivered to end users has the potential of attracting further interests of the users that have not been previously identified by our DAPG platform, which in turn creates additional user data that can be used to augment the accuracy of our data analytics and matching capabilities.

We continually enhance our DAPG platform to enrich and perfect the user profiles we capture and to address the evolving needs of marketers across different verticals. We also believe our DAPG platform allows us to offer more effective solutions and increase our operational efficiency as we scale up our operations.

Highly scalable business model with huge monetization potential

We believe our business model is highly scalable. We have demonstrated our strong ability to monetize our business model by serving marketers from different industries in native mobile apps and user interfaces developed by smartphone manufacturers and other non-smartphone channels. We have a large and rapidly growing marketer customer base consisting of mobile game developers, mobile app developers, other marketers from different industries and advertising agencies. The number of mobile apps and games we marketed grew from five in 2015 to 2,817 in 2017, and our revenue grew significantly from RMB15.3 million in 2015 to RMB485.6 million in 2017.

The scalability of our business model is also illustrated by our ability to deepen our collaboration with customers. For example, our DAPG platform allows us to match game developers with players in a targeted and precise manner and select appropriate game publishing channels. Our game co-publishing business directly offers us unique access to a large number of games which offer us additional channels for user traffic, creating considerable synergy with our services to marketers. We believe that our newly launched game co-publishing business strengthens our Internet ecosystem and brings growth potential to all participants in the ecosystem.

Leveraging our scalable business model, we believe we are well-positioned to expand our operations to provide more services and solutions to different industries. We seek to cooperate with financial institutions to explore monetization opportunities in the short term and maintain a balanced mix of service offerings in the long term to further increase user traffic and attract additional marketers to enter into our ecosystem.

Visionary and experienced management team with in-depth industry expertise

We have a visionary management team with a proven track record of entrepreneurial success, as well as solid, diverse and complementary backgrounds. Our executive officers have an average of over 10 years of relevant industry experience. Mr. Gao, our founder, chairman and chief executive officer, possesses in-depth understanding of China's mobile Internet industry. Prior to founding our Company, Mr. Gao was the business director of the mobile business department of a subsidiary of Baidu Inc. Mr. Zheng, our vice chairman, served as the general manager of the creation development department and business cooperation department as well as a vice general manager in the mobile service group of a subsidiary of Baidu Inc. from July 2007 to July 2015. Mr. WU Yang, our chief strategy officer, gained extensive management experience as the director of product operations in Sohu New Era Network Information Technology Co., Ltd. from September 2011 to August 2013. Ms. ZHOU Yan, our executive director and chief financial officer, previously served as a senior management member of the finance department of various companies, such as Tsinghua Holdings Human Settlements Construction Group Co., Ltd. and Beijing Enterprises Holding Investment Management Co., Ltd.

Other members of our senior management team have extensive and complementary experiences in a wide range of fields, covering technology, Internet, sales and marketing, finance and operations. Together with Mr. Gao, they have led our Company to continually drive innovation and achieve market leadership in China. We are confident that our senior management will further grow our Company, strengthen our Wanka brand, and pave the way for us to achieve our mission.

OUR BUSINESS STRATEGIES

Our goal is to (1) continually standardize mobile Internet technology for China's smartphone manufacturers; (2) provide artificial intelligence technology and platform-based commercial services to smartphone manufacturers; and (3) provide scenario-based commercial and operational services to marketers and mobile content developers, connecting them with smartphone hardware manufacturers and facilitating smartphone end user acquisition for them. We intend to pursue the following strategies to achieve our goal.

Strengthen our artificial intelligence and data analytics capabilities

We intend to continue to devote substantial resources in our research and development efforts to strengthen and refine our artificial intelligence and data analytics technologies. We plan to further upgrade and invest in our technology platforms and infrastructure to enhance the operating efficiency and stability of our DAPG platform. To this end, we plan to (1) improve our user profiling capabilities to better understand user behavioral data and offer superior user targeting; (2) adopt more advanced algorithm-based computation technologies to enhance our data and scenario analytics capabilities; (3) enhance our real-time analytics and data matching capabilities to enable more efficient and precise content recommendation; and (4) recruit more talents in the fields of artificial intelligence and data analytics to help us enhance our technological capabilities and competitive advantages. We believe we will be able to create more values for our ecosystem participants leveraging our massive user base combined with our efforts to enhance our artificial intelligence technologies and data analytics.

Foster our ecosystem and expand our service offerings

We plan to foster and grow a sustainable Android-based mobile Internet ecosystem, creating more meaningful and captivating value propositions to the ecosystem participants. Leveraging our close collaboration with MHA members, we will continue to attract additional small and medium-sized smartphone manufacturers in China into our ecosystem and further bolster our distribution channels. We will establish business relationships with more marketers from more diverse industries, such as financial technology industry, insurance industry and mobile entertainment industry. We will also expand our service offerings to app developers by unifying industry standards of app development to facilitate their development processes.

Enhance our market presence by expanding our sales network

We seek to enhance our market presence by extending our sales channels into new markets. We plan to increase the size of our sales force in the future to expand our sales network and enhance our brand recognition especially in major second and third-tier cities in China. Meanwhile, we will also use indirect sales in conjunction with our direct sales efforts to expand into overseas markets. We intend to engage third-party sales agencies with in-depth knowledge of the local markets to help execute our sales and expansion strategies in our targeted overseas markets.

Promote Quick Apps to set technical standards for smartphone industry

We strive to leverage our unique insights to facilitate the development and promotion of Quick Apps. As the founding organizer of the QAA, we launched the official guidelines to Quick App development in March 2018. We strive to lower the technical barrier for developing Quick Apps with the aim of redirecting the focus of more mobile app developers to Quick App development to meet the evolving market demand. We have published comprehensive Quick App development kits and related technical files which are available on Quickapp.cn, the official website for Quick App development administered by us.

We plan to deepen our collaboration with smartphone manufacturers and Quick App developers to facilitate their communication and knowledge sharing. We will provide ongoing technical support and guidance to mobile app developers in connection with the Quick App development. We will also help mobile app developers launch and distribute newly-developed Quick Apps on the distribution platforms provided by QAA members. In addition, we intend to promote our Quick App guidelines abroad to attract global mobile app developers to develop Quick Apps compatible with the Android-based smartphones produced in China, which will help Chinese smartphone manufacturers grow their user base globally. With an established base of Quick App developers, we plan to generate additional advertisement and other platform-based service revenues from their Quick Apps.

Pursue selective strategic alliances and strategic investments

As part of our growth strategy, we have formed strategic relationships and partnerships and completed investments and acquisitions in recent years. We will continue to expand our service offerings and optimize our ecosystem through selected cooperation, investment and acquisitions that we believe are strategically beneficial to our long-term goals. In selecting investment targets, we generally consider a variety of factors, including suitability with our strategic planning, degree of potential synergies, market position, experience of management team, valuation, historical operating metrics and financial performance. Our management plans to diligently evaluate any such opportunity that may arise from time to time. We believe that our past acquisition experience, our relationship with many industry participants and our knowledge and experience in China's mobile Internet industry will assist us in making well-informed acquisition decisions. As of the Latest Practicable Date, we did not, however, have any specific acquisition plans or targets.

OUR RELATIONSHIP WITH SMARTPHONE MANUFACTURERS

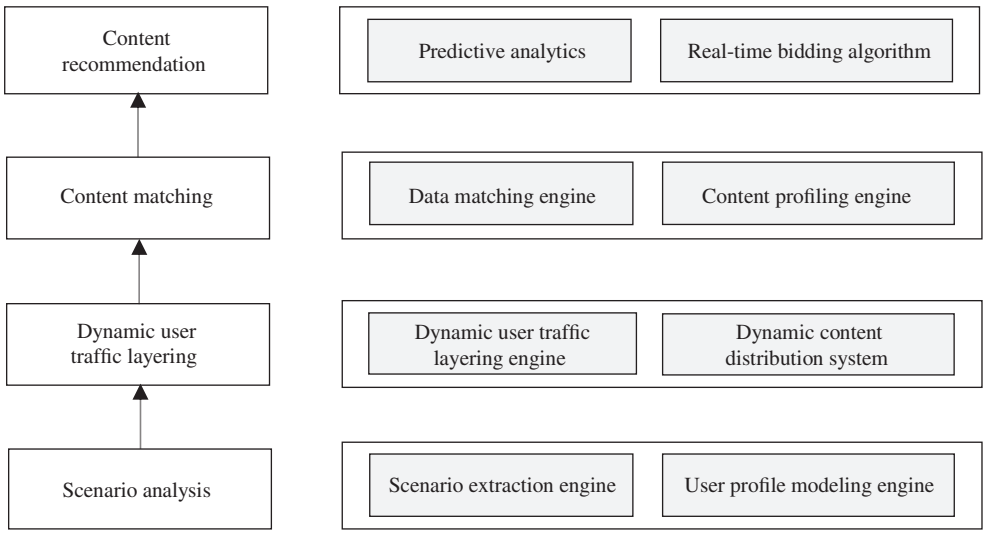
We believe our relationship with smartphone manufacturers, including MHA members, is instrumental to maintaining our leadership position and competitiveness. Established in August 2014, the MHA aims to provide marketing channels for mobile app and mobile game marketers and offer smartphone users the best user experience. We have served as the MHA's secretariat and official media partner since its establishment, primarily responsible for the execution of MHA's daily activities. According to the F&S Report, MHA members accounted for an aggregate market share of 62.1% in China's Android-based smartphone market in terms of domestic smartphone shipments in 2017. The dominant position of MHA members in China's smartphone market represents access to a large number of users. In 2017, MHA members combined ranked number one with a share of 45.3% in terms of downloads of all Android-based mobile game distribution channels, according to the F&S Report. Moreover, the penetration rate of app stores developed by MHA members combined reached 62.4% in 2017, ranking number one amongst Android-based app stores, according to the F&S Report.

We strive to forge long-term relationships with MHA members which provide us with stable user traffic. We generally enter into a framework cooperation agreement with each of them. According to the framework agreements, smartphone manufacturers typically grant us access to one or multiple mobile distribution channels, including app stores, game centers or other native mobile apps and user interfaces developed by such smartphone manufacturers, on which we can display different sources of content. Our framework cooperation agreements typically have a one-year term and are renewable by mutual consent with the smartphone manufacturers.

We also seek to establish collaborative relationships with additional smartphone manufacturers. We have established close partnerships with smartphone manufacturers such as Xiaomi in addition to our partnership with MHA members. We were involved in the formation of the QAA, which consists of ten major Chinese smartphone manufacturers, and are authorized to operate QAA's official website. We have published comprehensive Quick App development kits and related technical files online, providing Quick App developers solutions to a host of issues they face in developing quick apps. We endeavor to foster stronger business relationships with leading smartphone manufacturers through promoting the emerging Quick App.

OUR DAPG PLATFORM

DAPG is an algorithm-based platform which enables our marketers to distribute their contents, such as advertisements, games and videos, with efficiency and effectiveness. It analyzes contents and smartphone users and determines the best target audience for the distribution of content by using big data and artificial intelligence related technologies. As the foundation of our ecosystem, our DAPG platform distinguishes us from our competitors. It connects marketers and app developers with smartphone manufacturers. It consists of a cluster of multiple interrelated technological platforms underpinned by our cutting-edge technologies such as big data, artificial intelligence algorithm, and business scenario development. Specifically in the field of content distribution, we utilize our DAPG platform to accurately provide personalized and scenario-based content that match the differentiated preferences of smartphone users. The following diagram illustrates the architecture of our DAPG platform as applied in the context of content distribution.



Scenario analysis and user profile modeling

Our DAPG platform includes a scenario extraction engine that captures and parses all data properties and scenario-based information stimulated by specific user behaviors. When smartphone users open their devices and access a specific content piece via their devices at a specific time and place, a "scenario" is formed. The scenario takes into account users' background, time and place of smartphone use, and the app or content accessed by the user. Our DAPG platform repeatedly extracts scenarios each time the users use the devices and trigger a preset embedded advertising slot, and processes these scenarios through an automated and algorithm-based screening process. Such data will be anonymized and labeled into different tags based on the nature of the information, such as the user's location, interest, demographic and other characteristics. After repeated analysis of various scenarios, our user profile modeling engine is capable of understanding the user's short-term and long-term habits and hobbies, depicting a complete, vivid and accurate user profile.

For example, when a Beijing resident user (Mr. A) uses his high-end Android smartphone at home in the morning to access a game related app and is about to see the advertisement we place, our DAPG platform extracts the features in real-time such as the user's gender (male), personal interest (enjoy playing mobile games), smartphone brand, location (Beijing), time (morning), and the game related app being accessed, all of which form a scenario. When Mr. A travels to Hangzhou at noon, opens a browser app, and reaches the location of the preset embedded advertising slot, our DAPG platform forms a different scenario with a group of updated features. After capturing and analyzing these scenarios, our DAPG platform concludes that this user (1) is a male user of a high-end smarthphone; (2) lives in a tier-1 city; (3) is currently travelling out of town; and (4) enjoys playing mobile games. Our DAPG platform then assigns the corresponding labels to this user (male, traveler, Beijing resident, and high-end smartphone user) and forms a user profile. The user profile and the labels are constantly refined each time the user sees one of the advertisements we place. Based on our increasingly accurate profiling of this user, we may begin distributing contents such as travel related apps or gaming apps.

Dynamic user traffic layering

At the core of our DAPG platform is the dynamic user traffic layering engine we developed independently. It consists of two systems: traffic commercial value assessment system and dynamic content distribution system. It groups user traffic into separate hierarchies based on their different commercial values. Users' attention and sensitivity to the same content could vary dramatically at different locations and times (i.e., scenarios), resulting in different user conversion rates and monetization opportunities. For user traffic with high commercial values, our DAPG platform implements a real-time bidding algorithm to capture the most suitable user traffic for our marketers. For user traffic with lower commercial values, our DAPG platform analyzes and assesses the commercial value of user traffic, and slices up the user traffic into layers based on commercial value. Our DAPG platform then re-packages each layer and matches these packages with marketers that have different distribution needs and budgets. We believe that our user traffic layering technology maximizes user traffic utilization rate, and enables higher matching success rate between marketers and smartphone users, creating a win-win situation for both smartphone manufacturers and our marketers.

The following example reflects one of many situations where our traffic layering engine analyzes the commercial value and offers solutions. When Mr. A is viewing content pages on a browser app, he may stop reading at any time, which means advertising slots embedded in page ten has a much lower chance of being noticed by Mr. A than slots on page one. As a result, the commercial value of the first content page is higher than the tenth, because of the higher chance of attracting Mr. A's attention and the higher likelihood of attracting Mr. A to click on the advertisement. Our DAPG platform assesses the commercial value of user traffic, and designs the most optimal monetization plans by matching the commercial value with marketers that have different distribution needs and budgets.

Content profiling and machine-based data matching

On the marketers' side, our DAPG platform includes a content profiling engine which creates different content labels based on content features, such as themes, slogans, texts, visual aids and industry sectors. Thereafter, we analyze the historical monetization success of each content within various user bases and scenarios, and select the ones that produced the highest monetization rate for a specific content. Consequently, the data matching engine will match contents to a suitable user within the selected user bases, and prepare a pool of content to be distributed to that user when he/she is under that specific scenario. Our scenario extraction system extracts the user's specific scenario on a real-time basis; our user profiling system prepares a profile of that specific user based on past smartphone usages, and our content modeling system analyzes and labels each content and prepares them for recommendation to the user.

Predictive analytics and content recommendation

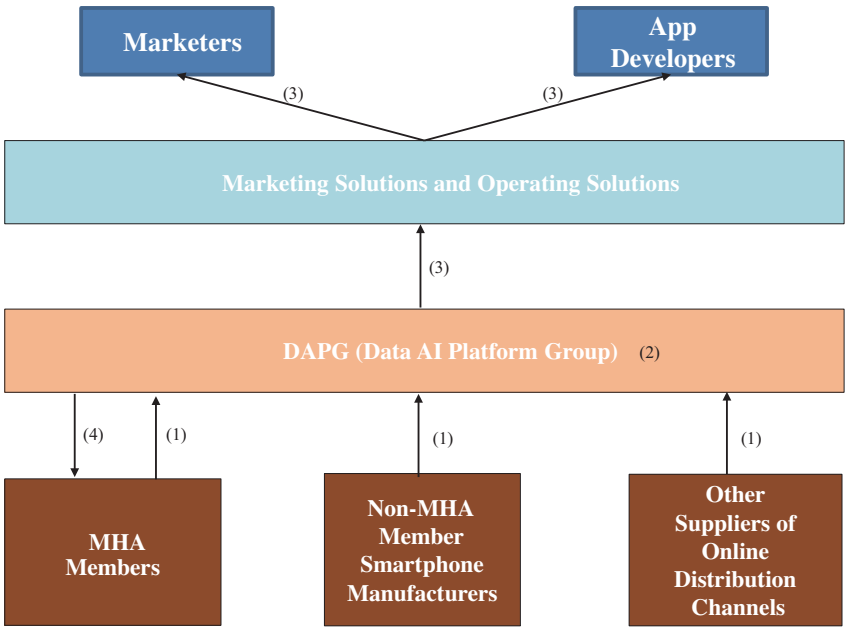
Our DAPG platform produces a ranking of all the proposed content to be distributed before making the final recommendation. In doing so, the DAPG platform performs a predictive analysis and implements a real-time bidding algorithm taking into account a number of parameters, including the content provider's price bid, predicted click-through rate, content relevance, as well as user preferences on each content piece. The highest-ranking content piece with the best possible monetization and user engagement opportunities will eventually be recommended. After each recommendation, our DAPG platform assesses the effectiveness of the matching and the ranking, and refine the algorithms used in our predictive analysis for future recommendations.

The following example illustrates how our data matching, predictive analytics and content recommendation processes work in real life. When Mr. A in our previous example triggers the advertising slot embedded in a browser app in Hangzhou, our data matching engine will prepare a list of contents that are suitable for his scenario and user profile, such as advertisement for traveling related apps where he can book a flight home or make a hotel reservation in Hangzhou, or a game app that fits his hobby. Our DAPG platform then runs a predictive analysis on what Mr. A might like at that moment, runs real-time bidding algorithm, and recommends the most suitable app at that advertising slot.

OUR BUSINESS MODEL

We have built our business model within the ecosystem we created leveraging our sophisticated artificial intelligence and data analytics technologies embedded in our DAPG platform. During the Track Record Period, we generated revenue from addressing the advertising needs of marketers from various industries through the delivery of personalized marketing content to smartphone users.

Our business model is structured as follows: (1) we obtain access to user traffic and content distribution channels from smartphone manufacturers, including MHA members, and other non-smartphone manufacturer channel suppliers; (2) we process user traffic using our DAPG platform; (3) we offer the processed user traffic and the content distribution channels as marketing and operating solutions; and (4) to strengthen our relationship with smartphone manufacturers, we offer them support and services on a project-by-project basis. The following diagram is a simplified illustration of our business model.



Leveraging our strategic relationships with MHA members, we have obtained unique access to a massive smartphone user base. Our relationships with MHA members also provide us with a steady source of distribution channels for marketers.

The second step of our business model involves our DAPG platform, which analyzes the anonymized and labeled user data provided by smartphone manufacturers and other suppliers. For more details, see "—Our DAPG Platform."

As the third step of our business model, our DAPG platform generates a user profile, matches marketers' contents that fit the profile, and deliver the most attractive contents to particular users through various distribution channels.

The last part of our business model involves our cooperation with smartphone manufacturers on a project-by-project basis, aiming to help them increase their monetization potential and achieve better financial returns.

We believe our business model is highly scalable. We are well-positioned to provide various marketing and operating solutions to customers in a wide spectrum of industries.

OUR SERVICES TO ECOSYSTEM PARTICIPANTS

Our Services to Marketers

We offer innovative Android-based distribution services to a diverse marketer base across a wide range of industries, including mobile advertising, game publishing and digital entertainment. As part of our solutions, we primarily provide online advertising, online-video distribution services and game co-publishing services. Based on our DAPG platform, we analyze anonymized user data provided by smartphone manufacturers with whom we collaborate and deliver personalized advertising and video content to targeted audiences. Leveraging our in-depth knowledge and extensive experience in the online game industry, we also recently began to provide game co-publishing services for mobile game developers.

Advertising

During the Track Record Period, we generated revenue from mobile advertising services of RMB15.3 million, RMB40.6 million and RMB485.6 million for 2015, 2016 and 2017, respectively.

Our advertising customers mainly include marketers of mobile apps and mobile games. We also work with advertising agency customers in order to reach a wider marketer base. We generate revenue by distributing advertisements of marketers' mobile apps and mobile games in the distribution channels of our suppliers, including the native apps and user interfaces of smartphones. Our service strategies and processes in terms of content distribution are the same regardless of whether the customer is a marketer or an advertisement agency. The following table sets forth a breakdown between mobile games and mobile apps we advertised for the periods indicated.

	Year ended December 31,		
	2015	2016	2017
Mobile games	—	27	448
Mobile applications	5	950	2,369
Total	5	977	2,817

In addition to our strategic relationships with MHA members, we also established relationship with other advertising channel partners. As of December 31, 2015, 2016 and 2017, we collaborated with 11, 28 and 192 suppliers of advertising channels, respectively.

Advertisement Placements

We have extensive access to a variety of advertising distribution channels, including those embedded in the native mobile apps and user interfaces, as well as third-party apps on smartphones. Advertisements from our customers are displayed in various formats across these channels, including app store search ads, in-feed native ads, banner ads, interstitial ads and splash screen ads.

App store search ads. App store search ads are advertisements displayed on app stores that users see when they search for a mobile app using specific keywords.

In-feed native ads. In-feed native ad is a form of native advertising that integrates customized advertising content into a given platform that closely aligns with the original design of the platform on which it displays.

Banner ads. Banner ads typically appear in the forms of bars, columns or boxes containing relevant text and graphics at the top or bottom of the smartphone screens.

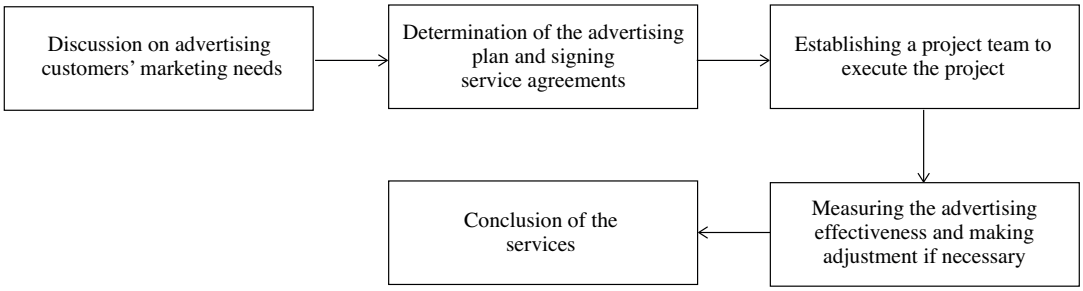
Interstitial ads. Interstitial ads are typically displayed at natural transition points in the flow of a mobile app, such as during the pause of a streaming video or between different game levels.

Splash screen ads. Splash screen ads are displayed in full screen when a mobile app is loading.

Service Process

Our advertising services typically begin with our sales team's discussions with a potential advertising customer on its specific business needs. Our sales team will propose a business plan with customized advertising strategies to our potential customers based on several factors, including, among others, the customer's requests on advertising display formats, preferred distribution channels, expected placement timeline, as well as estimated advertising budgets. Once the key business terms are finalized, we enter into an advertising service agreement with the customer detailing the scope of our services. The typical term of our advertising service agreement is one year. Under the agreement, customers are obligated to ensure that the content they provide does not violate the applicable advertising laws and regulations nor infringe any third-party intellectual property rights. Once the advertising service agreement is signed, we establish a dedicated project team to execute the advertising project. Our project team closely monitors the progress and status of our advertisement placements and provides a progress report to our customers on a daily basis. We also regularly measure the advertisement placement effectiveness and, if necessary, make appropriate adjustments to our advertising plan.

The following diagram illustrates the service process of our advertising service.



We charge for our advertising services using the following methods: CPM, CPC, CPA, CPS and CPD. In addition, we run real-time bidding process and distribute the content from winners of those biddings. Leveraging our DAPG platform, we bid for our marketer customers in the real time bidding processes run by distribution channel suppliers by designing bidding strategies according to the overall marketing plans of our marketers in terms of budget and expectation of marketing results. Depending on our negotiation with the marketers, we allow them to pay service fees to us either in advance or after the relevant advertising services are rendered.

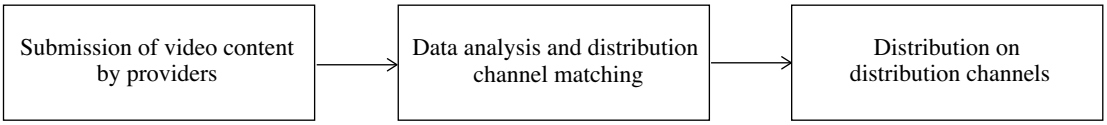
We also enter into framework agreements with advertising agencies to expand our marketer base. According to the framework agreements, we engage advertising agencies to seek marketers with advertising and promotion needs and submit their marketing plans and requirements to our platform. The advertising agencies are contractually obligated to inform us the feedback from those marketers, which enables us to refine our services. They are also obligated to ensure that the advertising content they submit to us, including the advertising design and production, complies with relevant laws and regulations. The advertising agencies are required to pay service fees to us in advance. Our framework agreements with advertising agencies typically have a one-year term.

Online-video Distribution

Leveraging our success and experience in providing advertising services, we seek to expand into additional business verticals. Therefore, we strategically acquired Shanghai ChiLe in March 2018 and have since begun establishing our online-video distribution network to unleash new monetization opportunities.

Shanghai ChiLe was primarily engaged in marketing and promotion of online-video content in China. With its years of experience in online-video distribution, Shanghai ChiLe has accumulated operational capabilities in online-video content distribution and familiarity with the consumption habits of China's online-video viewer base. Leveraging our stable relationships with suppliers of user traffic and content distribution channels, we are well-positioned to integrate the operational know-hows of Shanghai ChiLe in the field of online-video distribution, and expand our service offerings to marketers.

The following diagram illustrates our online-video distribution service process.



Our online-video distribution services typically begin when our marketers provide us their online-video content. We then conduct data analysis of such online-video content and select the most compatible distribution channels. When users pay for contents, the marketers receive a portion of users' payments and then share a portion of such payments with us. We pay our distribution channel suppliers based on predetermined terms agreed upon by the parties.

Game Co-publishing

We believe we are well-positioned to broaden our services given our relationship with various smartphone-based distribution channels. In addition to advertising and online-video distribution services, we also started to provide certain game developers with game co-publishing services in 2017. Our game co-publishing services primarily include game marketing and distribution.

We partner with MHA members to co-publish mobile games on their Android distribution platforms and take advantage of the popularity of these platforms to reach a wide user base. We are subject to the standard terms and conditions of these distribution platforms under which the platforms are responsible for marketing the games to smartphone users. We began to derive revenue from game co-publishing services in January 2018. As of the Latest Practicable Date, we had co-published five mobile games in China.

We enter into standard game co-publishing service agreements with these game developers, pursuant to which the game developers grant us the non-exclusive, non-transferrable right to distribute their games in specified geographical markets. These service agreements typically have a term of one year. Taking into account the relevant market positions as well as our evaluation of the revenue generation potential of the games, we adopted different revenue sharing arrangements with the game developers.

Our Support to Mobile App Developers

In addition to marketers, we also address the development needs of mobile app developers. Based on the large user base which we accumulated through our close relationships with smartphone manufacturers in China, our DAPG platform enables us to develop and implement unified standards for the development and distribution of Android-based mobile apps and mobile games. We generally provide such support to developers free of charge. Such unification lowers developers' development costs and faciliate the distribution of their apps and games in multiple outlets.

Wanka Juchuan

We offer mobile app developers a variety of free services to assist in mobile app launches through our self-operated mobile app submission platform, *Wanka Juchuan* (玩咖聚傳). This highly-efficient and easy-to-use platform offers mobile app developers a comprehensive set of free services, including mobile app uploading, listing and marketing, as well as application for software copyrights. Through *Wanka Juchuan*, registered mobile app developers are connected to a syndicated distribution network comprising a select group of smartphone manufacturers and third-party app stores to gain app popularity and acceptance. As of the Latest Practicable Date, we had established connection to 16 mobile app distribution channels.

Leveraging our in-depth understanding of the app marketplace, we provide mobile app developers with the latest technical, design and content criteria requested by different distribution platforms, enabling their apps to achieve the best performance and appearance. For mobile app developers seeking our assistance in carrying out marketing campaigns, we also use interactive advertising to help increase user engagement in their mobile apps. Furthermore, we offer registered mobile app developers a quick and convenient way to apply for software copyrights for their mobile apps. We believe our various services for mobile app developers effectively help them prepare for successful app launches while substantially lowering their marketing and operating expenses.

Although we have not generated any revenue from these services to app developers, we believe that we have greatly benefited from such operation as we attracted a large number of mobile app developers and strengthened their stickiness to our ecosystem.

Our Support to Smartphone Manufacturers

We provide technological support to certain smartphone manufacturers on a project-by-project basis, through which we enable them to increase their monetization potentials. We worked on most of these projects free of charge. Those projects include establishment and development of mobile technological platforms including app store and game center. We also provide other technical support services in relation to browser and search engine. We believe that we have strengthened our collaboration relationship with smartphone manufacturers through these projects.

DATA PRIVACY AND SECURITY

We are committed to protecting user data in our business and operations. We have access to an extensive volume of anonymized user data from smartphone manufacturers with whom we cooperate and conduct data analytics on such data. Such anonymized data are labeled with different tags with respect to user interests, behaviors and preferences and do not entail any personally identifiable information of the end users. As a result, it is impossible for us to link a particular piece of information with any individual person. We treat all user data and information we analyze as highly confidential. According to the confidentiality provisions in our framework agreements with smartphone manufacturers, we are not allowed to directly acquire any data from end users nor disclose such data to any third parties without the prior consent of the smartphone manufacturers.

Our information technology network is configured with multiple layers of protection to secure our databases and servers. To protect security throughout the various stages of our data analytics, all user data tagged and processed are stored on both our firewall-protected physical servers and our cloud-based storage system operated by a prominent third-party data storage provider in China. As of December 31, 2017, we had 136 self-owned physical servers located in the Internet data center operated by an established server hosting service provider in China. We back up user data on a daily basis in separate and various secured data back-up systems to minimize the risk of user data loss or leakage. We also conduct frequent reviews of our back-up systems to ensure that they function properly and are well maintained. We have also implemented a variety of protocols and procedures, such as regular system checks, password policy, server access logging, network access authentication, user authorization review and approval and data back-up, as well as data recovery test, to safeguard our data assets and prevent unauthorized access to our network. We continue to improve and enhance our data and system security through routine checks and timely upgrades to ensure the proper management of our operational data.

RESEARCH AND DEVELOPMENT

We are committed to continually enhancing and innovating our services, solutions and technologies. Our research and development process is primarily driven by customer demands and involves collaborative efforts across multiple departments, including our other functional teams, such as sales and marketing, and product and operation. We utilize our own employees and engage third-party technical consultants for research and development work.

Headed by Mr. NIU Chong, our vice president of technology, we had a stable and dedicated research and development team consisting of 62 technical personnel as of December 31, 2017. Our research and development costs were RMB7.0 million, RMB10.2 million and RMB15.9 million, respectively, in 2015, 2016 and 2017, representing 45.9%, 25.1% and 3.3%, respectively, of our total revenue for the same periods.

SALES AND MARKETING

We enter into cooperative arrangements with a number of marketers and advertising agencies primarily through the promotional efforts of our sales department. We have an experienced and dedicated sales team consisting of sales personnel with extensive experience in China's internet and mobile technology industries. As of December 31, 2017, we had a total of 39 sales staff located in Beijing and Shenzhen, China. Our sales force maintains regular contact with our existing and prospective customers to better understand their business needs. Our sales department serves a critical role in providing comprehensive information about our services and suitable business proposals to our customers upon discussion with our technical experts. We have also collaborated with certain third-party marketing agencies to expand our customer base in industry segments where we have relatively weaker presence.

As part of our overall marketing strategies, we also deploy a variety of offline promotional activities to build our brand. In particular, we co-organized the following marketing and networking events together with the MHA:

- the MHA Carnival Night (硬核之夜), one of the most influential mobile game events in China, for three consecutive years from 2015 to 2017;

- the Black Stone Awards Ceremony (黑石獎頒獎典禮), an annual awards ceremony sponsored by the MHA to honor outstanding mobile games and game developers in China, for three consecutive years from 2015 to 2017; and

- the Black Stone CEO Forum (黑石CEO沙龍), a conference dedicated to China's mobile game industry, with the goal of facilitating knowledge sharing, networking and collaboration among Chinese mobile game companies, in 2016.

OUR CUSTOMERS

Our customers include marketers seeking to market their mobile games and apps and advertising agencies which provide services to marketers. Our service strategies and processes in terms of advertisement distribution are the same regardless of whether the customer is a marketer or an advertisement agency. Although we have a broad customer base, we may be subject to concentration and counter-party risk from our major customers. Our top five customers accounted for 99.2%, 76.8% and 26.9%, respectively, of our total revenues in 2015, 2016 and 2017. For the same periods, our largest customer contributed to 76.5%, 32.1% and 10.0% of our total revenue, respectively. See "Risk Factors — We were exposed to concentration risk of heavy reliance on our largest five customers during the Track Record Period."

None of our Directors, their close associates or any Shareholder (which to the knowledge of our Directors owns more than 5.0% of our Shares) has any interest in any of our five largest customers during the Track Record Period.

OUR SUPPLIERS

Our suppliers include smartphone manufacturers and other suppliers of content distribution channels on smartphones.

We primarily pay distribution fees to smartphone manufacturers and other channel suppliers. Under certain framework agreements with smartphone manufacturers, we are required to pay a service fee to them in advance, the amount of which is determined on a CPT or CPD basis. In other agreements with smartphone manufacturers, we are obligated to consume a certain minimum amount we have prepaid them.

As of December 31, 2017, we maintained business relationship with our five largest suppliers, most of which are MHA members, for one to three years. In 2015, 2016 and 2017, our five largest suppliers contributed a total of 83.5%, 52.2% and 34.6%, respectively, of our total cost of sales. For the same periods, our largest supplier contributed a total of 25.5%, 23.1% and 12.8%, respectively, of our total cost of sales. See "Risk Factors — We depend on our collaborative relationships with a limited number of smartphone manufacturers and cooperation with certain suppliers of content distribution channels who provide us with content distribution channels and access to a massive user base. Any loss or deterioration of our relationship with such smartphone manufacturers or suppliers may result in the loss of user base and revenues."

None of our Directors, their close associates or any Shareholder (which to the knowledge of our Directors owns more than 5.0% of our Shares) has any interest in any of our five largest suppliers during the Track Record Period.

We work with non-smartphone manufacturer suppliers of distribution channels which distribute contents on channels owned by other suppliers. We also offer advertising services to advertising agencies that obtain contents from marketers. Therefore, it is commercially reasonable for an entity that represents both marketers and distribution channel suppliers to be both our customer and supplier. In 2015 and 2017, none of our top five suppliers was also one of our top five customers, or vice versa. In 2016, one of our top five suppliers was also a top five customer, and contributed to 7.3% of our cost of sales and 9.2% of our revenue in 2016. We incurred a gross loss of RMB0.3 million in working with this entity.

QUALITY CONTROL

We take adequate precautions to ensure that the advertising content delivered by us is not false, fraudulent, misleading, or otherwise illegal. For example, we impose contractual obligations on our customers to ensure that their advertising content, including the advertising design and production, complies with relevant laws and regulations. We also conduct review of advertisers for their proper qualifications. In addition, for advertising content related to certain types of products and services, such as alcohol, cosmetics, pharmaceuticals and medical procedures, we have established internal review policies to confirm that the advertisers have obtained requisite government approvals, including operating qualifications, proof of quality inspection for the advertised products, government preapproval of the content of the advertisements and filings with the local authorities.

Moreover, we have embedded an anti-cheating system to monitor fake Internet traffic to prevent fraud that may distort the effectiveness of our business operations and the quality of our services.

COMPETITION

Our Company is an innovative technology company in the mobile Internet market, helping connect businesses from various industries to hundreds of millions of Android-based smartphone users in China. We have built our business model within the ecosystem we created leveraging our sophisticated artificial intelligence and data analytics technologies embedded in our DAPG platform. During the Track Record Period, we generated revenue from providing mobile advertising services to marketers from various industries. See "—Our Business Model."

While we do not directly compete with any technology companies in the mobile Internet market due to our unique business model and the ecosystem we have created, we compete with other leading companies that distribute advertising contents to smartphone users in China, such as Baidu, Tencent and 360, which have established stong and broad presence across the online advertisig market. See "Industry Overview."

INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to our business, and we devote significant time and resources to their development and protection. We protect our intellectual property rights through a combination of copyright, trademark and other intellectual property laws, as well as confidentiality and license agreements with our employees, suppliers, customers and others. In general, our employees must enter into a standard confidentiality agreement acknowledging that all inventions, trade secrets, developments and other processes generated by them on our behalf are our property, and assigning to us any ownership rights that they may claim in those works. Despite our precautions, third parties may obtain and use intellectual property that we own or license without our consent. During the Track Record Period, we did not find any of such breaches of our intellectual property rights. However, unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See "Risk Factors — Unauthorized use of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may adversely affect our business, reputation and competitive edge."

As of the Latest Practicable Date, we owned 27 registered domain names. We generally renew our domain name registrations once every year and applications for their renewal are usually approximately made one to three months prior to their expiration. Under normal circumstances, the domain name registrations take effect immediately after the payment of renewal fees. As of the Latest Practicable Date, all of our registered domain names were in effect. If any of our domain name registrations cannot be renewed for any reason, the domain name registrar may deregister the relevant domain name.

As of the Latest Practicable Date, we held 46 software copyrights registered with the State Copyright Bureau of China and 12 trademarks in various categories and registered with the China Trademark Office.

As of the Latest Practicable Date, we had nine pending patent applications, including those relating to our DAPG platform, with the State Intellectual Property Office of China and three pending trademark application in Hong Kong.

We did not have any material disputes or any other pending legal proceedings of intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date.

For details of our material intellectual property rights, see "Appendix IV — Statutory and General Information — B. Further Information about Our Company's Business — 2. Intellectual Property Rights."

EMPLOYEES

As of December 31, 2017, we had 178 full-time employees, most of whom are based at our headquarters in Beijing, with the rest based in Shenzhen. The following table sets forth the number of our employees by function as of December 31, 2017.

Function	Number of Employees	% of Total
Executive directors and senior management	6	3.4%
Research and development	62	34.8%
Operations	49	27.5%
Sales and marketing	39	21.9%
General administrative	22	12.4%
Total	178	100.0%

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives.

We primarily recruit our employees in China through recruitment agencies, on-campus job fairs and online recruiting channels, including our corporate website, job search websites and social networking platforms. We have adopted a training protocol, pursuant to which we provide pre-employment and regular continuing management and technical training to our employees.

As required under PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans. We are required under PRC laws to make contributions to employee benefit plans at specified percentages of the salaries. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business.

We believe that we maintain a good working relationship with our employees and we had not experienced any material labor disputes during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain insurance policies covering damages to our technical infrastructure or any insurance policies for our properties. We also do not maintain insurance policies against risks relating to the Contractual Arrangements. During the Track Record Period, we did not make any material insurance claims in relation to our business.

PROPERTIES

As of the Latest Practicable Date, we operated our businesses through 12 leased properties in Beijing, Shanghai, Shenzhen and Xinjiang in China. Our leased properties in China serve as our offices. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are principally used as office premises for our business operations. We believe that there is sufficient supply of similar properties in China. Furthermore, even if we experience temporary interruption to our usage of any of our leased office space, we believe that our employees can continue to perform the material aspects of their duties remotely given that our offices do not carry out any production, manufacturing or physical retail activities; and our offices in other locations can adequately support the functioning of our business operations in areas where we experience temporary office space interruptions through our technology infrastructure. Therefore, we do not rely on the existing leases for our business operations, and we do not believe a contingency relocation plan is required. Our servers and network facilities for providing services to our users are not kept in any of our aforementioned leased properties. Our servers and network facilities for internal administrative functions are kept in our leased properties.

As of the Latest Practicable Date, our leased properties had a total gross floor area of approximately 6,100 square meters. The relevant lease agreements have lease expiration dates ranging from July 14, 2018 to July 13, 2036.

As of the Latest Practicable Date, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our Group's interests in land or buildings.

Title Defects

As of the Latest Practicable Date, lessors of eight of our leased properties in China had not provided us with valid title certificates, valid title certificates for commercial purpose or relevant authorization documents evidencing their rights to lease the properties to us. As a result, these leases may not be valid, and there are risks that we may not be able to continue to use such properties. Should disputes arise due to title encumbrances to such properties or government action, we may encounter

difficulties in continuing to lease such properties and may be required to relocate. We do not expect to incur significant time for identifying, or incur significant cost to relocate our operations to, comparable alternative properties in proximity, and such relocation, if ever happened, will not materially and adversely affect our business as discussed above.

Non-registration

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had not obtained any lease registration for the 12 properties we leased in China, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. The registration of such leases will require the cooperation of our lessors. We will take all practicable and reasonable steps to ensure that the unregistered leases are registered. As advised by our PRC legal advisors, the validity of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities. According to the relevant PRC regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. As of the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant government authorities. We undertake to cooperate fully to facilitate the registration of lease agreements once we receive any requirements from relevant government authorities.

LICENSES, PERMITS AND APPROVALS

Our PRC legal advisors have advised that during the Track Record Period and up to the Latest Practicable Date, except as disclosed in "— Legal Proceedings and Compliance — Non-compliance Incidents," we had obtained all licenses, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in the PRC, and such licenses, permits, approvals and certificates remained in full effect.

The following table sets out a list of material licenses and permits currently held by us.

License/Permit	Holder	Granting authority	Grant date	Expiry date
Online culture business license	Huanju Times (歡聚時代)	Beijing Culture Bureau	June 22, 2016	June 21, 2019
Online culture business license	Beijing Jingzhe (北京驚蟄)	Beijing Culture Bureau	May 24, 2018	September 18, 2019
Online culture business license	Wanka Tianjin (玩咖天津)	Tianjin Bureau of Culture, Radio, Television	July 31, 2017	July 30, 2020
Online culture business license	Wanka Hainan (玩咖海南)	Hainan Department of Culture, Radio, Television, Publication and Sports	July 7, 2017	July 6, 2020
Online culture business license	Shanghai ChiLe (上海池樂)	Shanghai Municipal Administration of Culture, Radio, Film and TV	November 10, 2016	November 12, 2018
Online culture business license	Shanghai Langdao (上海狼道)	Shanghai Municipal Administration of Culture Radio, Film and TV	August 23, 2017	August 23, 2020

AWARDS AND RECOGNITION

During the Track Record Period, we have received recognition for the quality and popularity of our services. Some of the significant awards and recognition we have received are set forth below.

Year	Award / Accreditation	Awarded Entity
2018	The Most Influential Marketing Enterprise in 2017 (2017年度最具影響力營銷企業)	Mobile Game Association
2018	Best Game Media Award (最佳遊戲媒體獎)	International Game Show

Year	Award / Accreditation	Awarded Entity
2017	Outstanding Technology Company of the Year (年度傑出科技公司)	China Financial Market
2017	Beijing's Top 100 Brands (北京品牌100強)	China General Chamber of Commerce & China Business Daily
2017	Best Cutting-edge Mobile Advertising Award (最佳移動廣告新銳獎)	China Academy of Social Science, China Internet Weekly & eNet
2016	Best Service Provider in the Game Industry Golden Apple Award (最佳遊戲產業服務商金蘋果獎)	Top Fun Club
2016	China's Top 50 Enterprises with Most Investment Value (中國最具投資價值企業50強)	Venture 50
2016	Beijing's Top 100 Cultural and Creative Enterprises with Most Investment Value (北京市最具投資價值文化創意企業50強)	Beijing Cultural and Creative Industry Promotion Center & Zero2IPO Group
2015	Best Behind-the-Scenes Contribution Award (最佳幕後貢獻獎)	Nubia

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may also be subject to legal proceedings, investigations and claims incidental to the conduct of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which, in the opinion of our management, could have a material adverse effect on our business, financial condition and results of operations. Our Directors have confirmed that no member of our Company is currently engaged in any material legal, arbitral or administrative proceeding.

Non-compliance Incidents

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in China. During the Track Record Period and as of the Latest Practicable Date, save as disclosed below, we did not commit any non-compliance of the laws and regulations, which taken as a whole, in the opinion of our management, is likely to have a material and adverse effect on our

business, financial condition or results of operations. As advised by our PRC legal advisors, during the Track Record Period and up to the Latest Practicable Date, save as the non-compliance incidents as disclosed in this document, we had complied with the relevant laws and regulations in all material respects.

Lack of Online Culture Business License by Xinjiang ChiLe

Background

According to the Interim Regulations on the Administration of Internet Culture, which was promulgated by the MOCT on February 17, 2011 and became effective on April 1, 2011, for-profit Internet cultural activities refer to activities of providing Internet cultural products and services for profits by charging the Internet users, or through ecommerce, advertising, sponsorship for the purpose of making profits. A service provider is required to obtain the Online Culture Business License in order to engage in for-profit Internet cultural activities. Xinjiang ChiLe has been engaged in distribution of certain video contents since 2017 and had not obtained the Online Culture Business License as of the Latest Practicable Date. Our non-compliance was primarily due to the lack of understanding of the relevant regulations of the employees of Xinjiang ChiLe.

Potential legal consequences

According to the relevant PRC laws and regulations, our lack of the Online Culture Business License may result in administrative warning, suspended operation and a fine less than RMB30,000. The Third Division Cultural Radio and Television Bureau of Xinjiang Production and Construction Corps (新疆生產建設兵團第三師文化廣播電視局) issued a confirmation letter on June 26, 2018 confirming that: (i) it was the competent governmental authority with respect to the online culture business of Xinjiang ChiLe; (2) no administrative action, fine or penalty had been imposed on Xinjiang ChiLe with respect to its lack of the Online Culture Business License and there had been no disputes in relation to the internet cultural activities operated by Xinjiang ChiLe; and (3) Xinjiang ChiLe can continue to operate before obtaining the Online Culture Business License, and the lack of such license had not and would not constitute material violation of the PRC laws or regulations. Our PRC legal advisors are also of the view that the Third Division Cultural Radio and Television Bureau of Xinjiang Production and Construction Corps is a competent governmental authority to issue such confirmation.

Rectification

As of the Latest Practicable Date, Xinjiang ChiLe was in the process of applying for the Online Culture Business License and will take appropriate arrangements to ensure our compliance with the relevant laws and regulations before the [REDACTED]. Based on the confirmation issued by the Third Division Cultural Radio and Television Bureau of Xinjiang Production and Construction Corp, our PRC legal advisors are of the view that there are no major legal obstacles for Xinjiang ChiLe to obtain the Online Culture Business License. In addition, in preparation for the [REDACTED], we have enhanced our internal control to prevent reoccurrence of such non-compliance. For details, see "— Internal Control."

Lack of Online Publishing Service License and License for Online Transmission of Audio-Visual Programs by Huanju Times

Background

According to the Regulations on the Administration of Online Publishing Services, which was jointly promulgated by the SART and the MIIT on February 4, 2016 and became effective on March 10, 2016, the online publishing services refer to the provision of online publications to the public through information networks, and online publications refer to digital works that are provided to the public through information networks and have publishing features such as editing, production and processing. A service provider is required to obtain the Online Publishing Service License in order to engage in the online publishing services.

According to the Administrative Measures Regarding Internet Audio-Video Program Services , which was jointly promulgated by the SART and the MIIT on December 20, 2007, became effective on January 31, 2008 and was revised on August 28, 2015, the Internet audiovisual program services refer to the production, editing, integration, and provision of video and audio programs to the public through the Internet, as well as the provision of uploading audio-visual program services for others. A service provider is required to obtain the License for Online Transmission of Audio-Visual Programs in order to engage in the Internet audio-visual program services.

During the Track Record Period, Huanju Times engaged in certain game-related content distribution services which involved video streaming and scripted contents. According to the regulations above, the video streaming contents would require an Online Publishing Service License and a License for Online Transmission of Audio-Visual Programs and the scripted contents would require an Online Publishing Service License. The game-related content distribution business is our peripheral business for attracting user traffic and did not generate any revenue during the Track Record Period. Our non-compliance was primarily due to our employees' lack of understanding of the relevant regulations.

Potential legal consequences

According to the relevant PRC laws and regulations, our lack of the Online Publishing Service License may result in termination of business, shutdown of website, deletion of all online publications, confiscation of illegal income and the equipment used in illegal activities, and a fine of five to ten times of the illegal income if such income exceeds RMB10,000 or a fine less than RMB50,000 if such income is less than RMB10,000.

According to the relevant PRC laws and regulations, our lack of the License for Online Transmission of Audio-Visual Programs may result in administrative warning, order to rectify, and a fine less than RMB30,000. In serious circumstances, we may also be subject to order to suspend operation, confiscation of the equipment used in illegal activities, and a fine of one to two times of the investment amount.

Due to the immaterial nature of such business, our Directors are of the view that the above situation did not and will not have a material adverse effect on our business, financial condition or results of operations. Our PRC legal advisors are of the view that because Huanju Times has aborted all video contents streaming from its platform, the likelihood of us being subject to fines, regulatory actions or penalties arising from our video streaming contents is relatively low.

Rectification

As of the Latest Practicable Date, Huanju Times had aborted all video contents streaming from its platform and did not have any plans to generate revenue from such business. For our enhanced internal control, see "— Internal Control."

HEALTH, SAFETY AND ENVIRONMENTAL MEASURES

Due to the nature of our business, we do not currently have any material liabilities relating to health, work safety and environment and do not expect to incur any material liabilities or expenditures in these regards which could have any material adverse impact on our business and results of operations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with applicable health, safety or environmental regulations.

RISK MANAGEMENT

We are exposed to various risks during our operation. For more details, see "Risk Factors." We have implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including the administration of daily operations, financial reporting and recording, fund management, compliance with applicable laws and regulations.

Our Board oversees and manages the overall risks associated with our operations. We have established an audit committee to review and supervise the financial reporting process and internal control system of our Group. See "Our Directors and Senior Management—Board Committees—Audit Committee" for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee. We have prepared written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

INTERNAL CONTROL

We have designated responsible personnel in our Company to monitor the ongoing compliance by our Company with the relevant PRC laws and regulations that govern our business operations and oversee the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management and relevant employees with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance.

In addition, we have adopted a set of internal rules and policies governing the conduct of our employees. We have established a monitoring system to implement anti-bribery and anti-corruption measures so as to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations. For example, our management is responsible for conducting a fraud and bribery risk assessment on an annual basis and our audit committee reviews and approves our annual risk assessment results and policies. We have also identified certain forbidden conduct in our internal anti-bribery and anticorruption policies, including, among others, the prohibition to acceptance of bribes or rebates, embezzlement or misappropriation of our assets, and forgery or alteration of our accounting records.

We offer compulsory training courses to our new employees and continuing training to our existing employees to enhance their knowledge and awareness of the relevant rules and regulations. We also keep abreast of the latest regulatory updates and communicate with the relevant regulatory authorities from time to time to discuss the latest regulatory requirements in light of the evolving nature of our mobile Internet business.

In addition, we have also appointed Somerley Capital Limited as our external compliance advisor with effect from the date of the [REDACTED] to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

During the Track Record Period, our Directors did not identify any material internal control weaknesses or failures. Considering the nature, scale, reasons and potential impact of the non-compliance incidents disclosed in "— Legal Proceedings and Compliance" in this document, [REDACTED].

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Gao and Mr. Zheng were, through the acting-in-concert arrangement under the Concert Party Agreement, together legally and beneficially interested in 39.70% of the total issued share capital of our Company. Immediately after the completion of the [REDACTED] (assuming no exercise of the [REDACTED] and taking into no account of any Shares to be issued upon exercise of any option that may be granted under the Post-[REDACTED] Share Option Scheme), Mr. Gao and Mr. Zheng will together be legally and beneficially interested in approximately [REDACTED]% of our enlarged issued share capital and thus will continue to be controlling shareholders of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates after the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Upon the completion of the [REDACTED], our Board consist of three executive Directors, three non-executive Directors and three independent non-executive Directors. See "Directors and Senior Management" for details.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

(a) Each of our Directors is aware of his fiduciary duties as a Director of our Company which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;

(b) In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum;

(c) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interest of our Group;

(d) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review; and

(e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See "— Corporate Governance Measures."

Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the [REDACTED].

Operational Independence

We have established our own organizational structure comprised of individual departments, each with specific areas of responsibilities. We have also established various internal controls procedures to facilitate the effective operation of our business. Our Group is not operationally dependent on our Controlling Shareholders. Our Company (through our subsidiaries and Consolidated Affiliated Entities) holds or enjoys the benefit of all relevant licenses and owns all relevant intellectual property and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.

Our Directors confirmed that our Group will not enter into any transactions of similar nature with our connected persons and their associates after the [REDACTED] that will affect our operational independence. Based on the above, our Directors believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective associates.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. Our Group's accounting and finance functions are independent of our Controlling shareholders. As of December 31, 2017, Mr. Gao, a Controlling Shareholder and chairman of our Board, provided certain loans with an aggregate principal amount of RMB23.9 million to the Group, which will be fully repaid by us prior to the [REDACTED]. As of the Latest Practicable Date, Huanju Times was also granted certain bank loans with an aggregate principal amount of RMB18 million that were guaranteed by Mr. Gao and Mr. Zheng, our Controlling Shareholders, and their respective spouse which was fully repaid by us as of the date of this document. See Note 22 to part II of the Accountants' Report set out in Appendix I to this document for more details. During the Track Record Period, we primarily financed our business operation through private equity financing. We have also independently obtained a facility of RMB60 million from a bank. Having considered the above, we believe we are able to obtain external financing, when and if necessary, without guarantee or security provided by our Controlling Shareholders. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the [REDACTED] as we expect that our working capital will be funded from the [REDACTED] and cash flow from operations. Therefore, there is no financial dependence on our Controlling Shareholders.

COMPETITION ISSUE UNDER RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders and our Directors confirm that as of the Latest Practicable Date, neither of them nor their respective close associates have any interest in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules (the "Corporate Governance Code"), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. Our Company will adopt the following measures to safeguard good corporate governance standards and prevent any potential conflict of interests between our Company and our Controlling Shareholders:

(i) our independent non-executive Directors will review, at least on an annual basis, whether there are any conflict of interest between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(ii) our Controlling Shareholders will provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors;

(iii) our Company will disclose decisions on matters reviewed by our independent non-executive Directors in the annual reports of our Company or in the announcements under the Listing Rules;

(iv) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Deed of Non-competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles;

(v) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of his associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(vi) our Company has established internal control mechanism to identify connected transactions. After the [REDACTED], our Company will comply with the requirements in connection with connected transactions under the Listing Rules;

(vii) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professional will be made at our Company's expense;

(viii) we have appointed Somerley Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and

(ix) we [have] established the audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

PRC REGULATORY BACKGROUND

Background

We are an innovative technology company in the mobile Internet market, helping connect businesses from various industries to hundreds of millions of Android-based smartphone users in China.

Our businesses are primarily conducted through Huanju Times Consolidated Affiliated Entities and ChiLe Consolidated Affiliated Entities. The Huanju Times Consolidated Affiliated Entities are primarily engaged in distribution of mobile applications and games and mobile games co-publishing (the "Huanju Times Business") while the ChiLe Consolidated Affiliated Entities are primarily engaged in online-video distribution services (the "ChiLe Business," together with Huanju Times Business, collectively, the "Relevant Businesses").

The Catalog of Industries for Foreign Investment (revised in 2017) (外商投資產業指導目錄(2017修訂)) (the "Catalog"), which has been promulgated and amended from time to time jointly by the MOFCOM and the NDRC, divides industries into four categories in terms of foreign investment, namely, "encouraged", "restricted", "prohibited" and "permitted" (the last category of which includes all industries not listed under the "encouraged", "restricted" and "prohibited" categories). Pursuant to the Catalog, the Internet culture business (except for music services) is classified as the category of industries prohibiting foreign investment. Accordingly, foreign investors are not allowed to primarily hold any equity interests in any enterprise conducting such business or holding Internet Culture Business License. The internet culture business is primarily governed under the Interim Administrative Provisions on Internet Culture (互聯網文化管理暫行規定) (the "Internet Culture Provisions"), which was issued by the MOCT on February 17, 2011 and became effective on April 1, 2011, which was amended on December 15, 2017. Pursuant to the Internet Culture Provisions, companies engaging in the for-profit Internet culture business are required to obtain the Internet Culture Business License. In light of our unique business nature, to ascertain if the Relevant Businesses fall under the stipulated scope of internet culture business pursuant to the Internet Culture Provisions, on June 22, 2018, representatives of our Company, the Joint Sponsors, our PRC legal advisors and our Joint Sponsors' PRC legal advisors interviewed with the MOCT through telephone, which provided oral confirmation that the Relevant Businesses would require the Internet Culture Business License as their requisite license to operate in the PRC. As advised by our PRC legal advisors, the MOCT is the competent authority and the primary regulatory authority for the Relevant Businesses, and based on the consultation on June 22, 2018, the Consolidated Affiliated Entities are required to hold, among others, the Internet Culture Business License to operate the Relevant Businesses and our Company cannot hold a shareholding interest in the Consolidated Affiliated Entities accordingly.

As our Relevant Businesses are classified as "prohibited" under the Catalog, there are no other applicable PRC laws, regulations or rules that have provided guidance or interpretation on any qualification requirements which may allow foreign investors to hold any equity interests in the Relevant Businesses. In order for our Company, as a foreign investor under the current regulatory regime, to maintain its business operations while complying with the PRC laws and regulations

mentioned above, our Company entered into two sets of agreements under the contractual arrangements, including (1) certain agreements dated March 1, 2016 and November 21, 2014 entered into between, among others, Wanka Huanju, Huanju Times and Huanju Times Registered Shareholders in connection with the Huanju Times Contractual Arrangements, and (2) certain agreements dated March 9, 2018 entered into between, among others, the WFOE, Shanghai ChiLe and ChiLe Registered Shareholders in connection with the ChiLe Contractual Arrangements (together with Huanju Times Contractual Arrangements, the "Contractual Arrangements"), which allowed our Company to exercise control over the business operation of our Consolidated Affiliated Entities and enjoy all the economic interests derived therefrom (the "Previous Contractual Agreements").

In preparation for the [REDACTED] and to comply will the applicable laws and regulations regarding the [REDACTED], on June 15, 2018, (1) the WFOE, Huanju Times and Huanju Times Registered Shareholders entered into a new set of contractual arrangements for the Huanju Times Contractual Arrangements, and (2) the WFOE, Shanghai ChiLe and ChiLe Registered Shareholders entered into a new set of contractual arrangements for the ChiLe Contractual Arrangements, which collectively superseded the Previous Contractual Agreements. The details of the Contractual Arrangements are further elaborated in "— Our Contractual Arrangements" below.

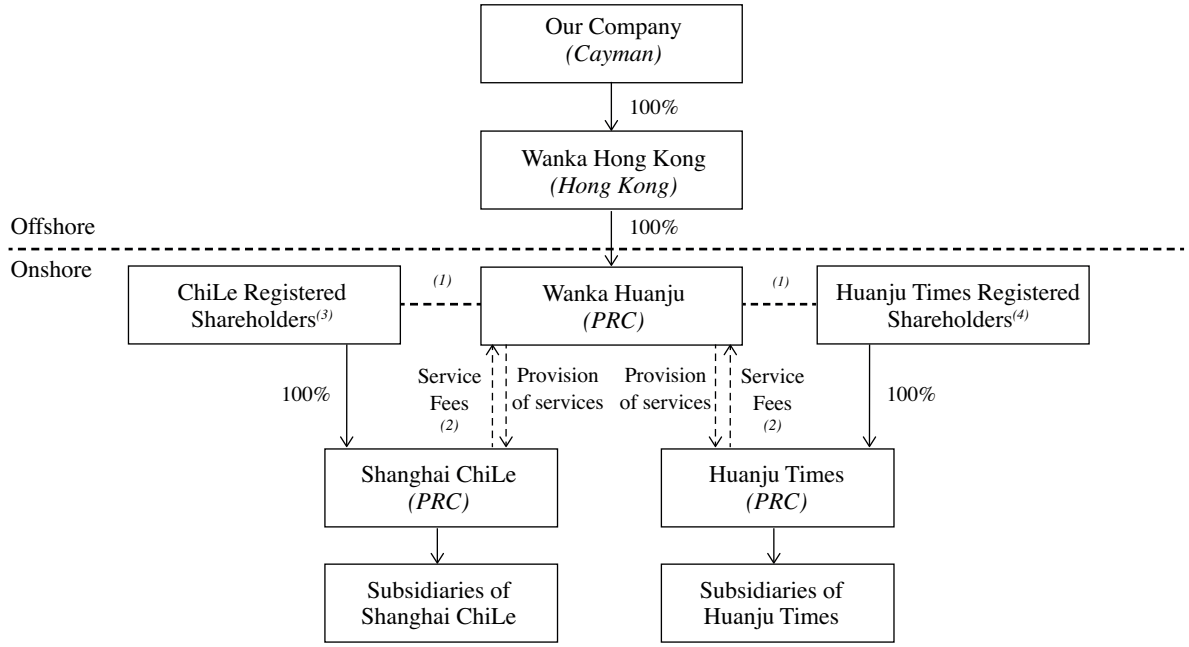
Our Company has also transferred all of its business which has not been imposed any restrictions for foreign ownership under the applicable PRC laws and regulations, except for our value-added services provided to mobile app developers free of charge through our platform, *Wanka Juchuan (玩咖聚傳)* to Wanka Huanju, which is indirectly controlled by our Company. As advised by our PRC legal advisors, our value-added services through *Wanka Juchuan* would have been subject to foreign investment restrictions in accordance with the Catalog if we charged the developers for a fee, which we intend to impose in 2019. All other business contracts relating to services which are not subject to foreign investment restrictions under the Catalog, including certain advertising contracts which are not conducted through our DAPG platform, have been either assigned to Wanka Huanju or terminated. Based on the foregoing, we believe that the Contractual Arrangements are narrowly tailored, as they are used to enable our Group to conduct the Relevant Businesses in industries that are subject to foreign investment restrictions in the PRC.

For further details of the limitations on foreign ownership in PRC companies conducting the Relevant Businesses under PRC laws and regulations, see "Regulatory Overview — PRC Laws and Regulations — Regulations Relating to the Industry — Regulations on the Catalogue of Industries for Guiding Foreign Investment."

OUR CONTRACTUAL ARRANGEMENTS

Overview

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements, details of which are set out in the sub-section headed "— Our Contractual Arrangements — Summary of the Agreements under the Contractual Arrangements" in this section:



——→ Beneficial ownership in equity interests

- - - -→ Beneficial ownership through contractual arrangements

(1) Control of WFOE over the Registered Shareholders through (i) Exclusive Option Agreements, (ii) Equity Pledge Agreements, and (iii) Voting Rights Proxy Agreements and Powers of Attorneys

(2) Control of WFOE over the business of Consolidated Affiliated Entities through Exclusive Business Cooperation Agreements

(3) The ChiLe Registered Shareholders refer to the registered shareholders of Shanghai ChiLe. Shanghai ChiLe is owned as to 51% by Mr. Gao and 49% by Beijing JinChi, which in turn is owned as to 38.5% by Mr. HUA Xinjiang (華新江), 56% by Tibet Jiukun Investment Consulting Co., Ltd. (西藏九坤投資諮詢有限公司) and 5.5% by Shanghai Jiazhuo Investment Limited Partnership (上海嘉茁投資合夥企業(有限合夥)). Both Tibet Jinkun Investment Consulting Co., Ltd. and Shanghai Jiazhuo Investment Limited Partnership are controlled by Mr. HUA Xinjiang.

(4) The Huanju Times Registered Shareholders refer to the registered shareholders of Huanju Times. Huanju Times is owned as to 72% by Mr. Gao and 28% by Mr. Zheng.

Pursuant to the Contractual Arrangements, all substantial and material business decisions of the Consolidated Affiliated Entities will be instructed and supervised by our Group, through Wanka Huanju, and all risks arising from the business of the Consolidated Affiliated Entities are also effectively borne by our Group as a result of such Consolidated Affiliated Entities being treated as our wholly-owned subsidiaries. Accordingly, our Directors believe that it is fair and reasonable for Wanka Huanju to be entitled to all economic benefits generated by the business operated by the Consolidated Affiliated Entities through the Contractual Arrangements as a whole.

Summary of the Agreements under the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive Business Cooperation Agreements

Pursuant to (1) the exclusive business cooperation agreement dated June 15, 2018 between Huanju Times and the WFOE and (2) the exclusive business cooperation agreement dated June 15, 2018 between Shanghai ChiLe and the WFOE (collectively the "Exclusive Business Cooperation Agreements"), the WFOE agreed to be engaged as the exclusive provider to Huanju Times Consolidated Affiliated Entities and Shanghai ChiLe Consolidated Affiliated Entities of comprehensive technical support, business support and relevant consultation services for annual service fees, including but not limited to the following services in respect of the Relevant Businesses:

- providing business management consultation;
- providing marketing and promotional services;
- providing system integration and maintenance services;
- providing financial support; and
- providing equipment and properties transfer, leasing and disposal services.

Under Exclusive Business Cooperation Agreements, the service fee shall be of reasonable prices in accordance with nature of the services and shall consist of 100% of the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, the WFOE may adjust the scope and amount of service fees according to, among others, scope and nature of services and relevant market prices. The service fees shall be paid on an annual basis and in accordance with the payment instructions of the WFOE. Notwithstanding the payment arrangements in Exclusive Business Cooperation Agreements, the WFOE also has the right to adjust the payment time and payment method. Huanju Times and Shanghai ChiLe agree to accept any of such adjustment.

In addition, the WFOE is the sole and exclusive provider of services under the Exclusive Business Cooperation Agreements. During the term of this agreement, without prior written consent of the WFOE, the Consolidated Affiliated Entities shall not (i) directly or indirectly accept same or similar services provided by any third party, (ii) establish same or similar cooperation relationships with any third party, or (ii) entered into any agreement or arrangement conflict with the Exclusive Business Cooperation Agreements or impair the interests of WFOE. However, the WFOE may engage other parties to provide services under the Exclusive Business Cooperation Agreements to Consolidated Affiliated Entities, which may enter into certain agreements separately with such parties.

The Exclusive Business Cooperation Agreements also provided that the WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by Consolidated Affiliated Entities during the performance of the Exclusive Business Cooperation Agreements.

The Exclusive Business Cooperation Agreements have an initial term of ten years commencing from their respective effective date, namely March 1, 2016 and March 9, 2018, and will be automatically renewed for additional ten years. The WFOE also has the right to renew the term at its will and Huanju Times and Shanghai ChiLe shall agree to any such renewal. The Exclusive Business Cooperation Agreements shall not be terminated unless (a) in writing by the WFOE; or (b) term of such agreement is expired.

Exclusive Option Agreements

Pursuant to (1) the exclusive option agreement dated June 15, 2018 entered into among the WFOE, Huanju Times and Huanju Times Registered Shareholders and (2) the exclusive option agreement dated June 15, 2018 entered into among the WFOE, Shanghai ChiLe and the Shanghai ChiLe Registered Shareholders (collectively the "Exclusive Option Agreements"), the WFOE has the right to require the Huanju Times Registered Shareholders or ChiLe Registered Shareholders to transfer any or all their equity interests in Huanju Times or Shanghai ChiLe to the WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, for considerations equivalent to the minimum purchase price permitted under the PRC laws. The Huanju Times Registered Shareholders and ChiLe Registered Shareholders have also undertaken that, subject to the relevant PRC laws and regulations, they will return to the WFOE any consideration that they receive in the event WFOE exercises the options under the Exclusive Option Agreements in such way required by the WFOE to acquire the equity interests and/or assets in Huanju Times or Shanghai ChiLe. Huanju Times, Shanghai ChiLe, Huanju Times Registered Shareholders and ChiLe Registered Shareholders, among other things, have covenanted that:

- without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the constitutional documents Huanju Times or Shanghai ChiLe, increase or decrease its registered capital, or change structure of its registered capital in other manner;

- they shall maintain corporate existence of Huanju Times or Shanghai ChiLe in accordance with good financial and business standards and practices;

- without the prior written consent of the WFOE, they shall not at any time following the date when the Exclusive Option Agreements came into effect sell, transfer, pledge or dispose of in any manner the equity shares or any asset of Huanju Times or Shanghai ChiLe, or allow the encumbrance thereon of any security interest, or allow investment by using the asset of Huanju Times or Shanghai ChiLe;

- without the prior written consent of the WFOE, Huanju Times and Shanghai ChiLe shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business and/or debt that has already been disclosed to and agreed by the WFOE;

- Huanju Times or Shanghai ChiLe shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect their operating status and asset value;

- without the prior written consent of the WFOE, Huanju Times or Shanghai ChiLe shall not execute any material contract, except the contracts executed in the ordinary course of business. A contract is a material contract if its consideration is RMB500,000 or more;

- without the prior written consent of the WFOE, Huanju Times or Shanghai ChiLe shall not, in its ordinary course of business, enter into a contract or similar transaction with consideration of RMB500,000 or more or enter into series of contracts or similar transactions with aggregated consideration of RMB1,000,000 or more in any consecutive 12-month period;

- without the prior written consent of the WFOE, Huanju Times or Shanghai ChiLe shall not provide any person with any loan or credit;

- Huanju Times or Shanghai ChiLe shall provide to the WFOE with information in respect of its business operations and financial condition at the request of the WFOE;

- if requested by the WFOE, they shall procure and maintain insurance in respect of Huanju Times or Shanghai ChiLe' assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;

- without the prior written consent of the WFOE, they shall not cause or permit the Consolidated Affiliated Entities to demerge, merge, consolidate with, acquire or invest in any person;

- they shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Huanju Times or Shanghai ChiLe' assets, business or revenue;

- to maintain the ownership by Huanju Times or Shanghai ChiLe of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;

- without the prior written consent of the WFOE, they shall not in any manner distribute dividends to Huanju Times Registered Shareholders or ChiLe Registered Shareholders, provided that upon the written request of the WFOE, Huanju Times or Shanghai ChiLe shall immediately distribute all distributable profits to their shareholders. Each of Huanju Times Registered Shareholders or ChiLe Registered Shareholders shall transfer all dividends and other assets or benefits receivable by him to the WFOE for free as soon as practicable upon request;

- at the request of the WFOE, they shall appoint any persons designated by the WFOE as the directors of Huanju Times or Shanghai ChiLe;

- if the WFOE is not able to exercise its option under the Exclusive Option Agreement due to tax reasons of Huanju Times or Shanghai ChiLe or Huanju Times Registered Shareholders or ChiLe Registered Shareholders, the WFOE has the right to require them to fulfill its tax obligations; and

- they shall not enter into any agreement or arrangement conflict with the Contractual Arrangements.

In addition, Huanju Times Registered Shareholders or ChiLe Registered Shareholders, among other things, have additionally covenanted that:

- without the written consent of the WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Huanju Times or Shanghai ChiLe, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement, and procure the shareholders' meeting and/or the board of directors of Huanju Times or Shanghai ChiLe not to approve such matters save as those permitted under the Exclusive Option Agreements;

- without the prior written consent of the WFOE, if Huanju Times or Shanghai ChiLe proposed to, among others, merge with, acquire or invest in or conduct any matters as mentioned above, they shall vote against or procure the shareholders' meeting and/or the board of directors of Huanju Times or Shanghai ChiLe vote against such matters;

- inform the WFOE immediately of any actual or potential litigation, arbitration or administrative proceeding relating to the shareholding of Huanju Times or Shanghai ChiLe;

- take all necessary actions and execute all necessary documents to litigate or defend in proceedings to safeguard its ownerships in Huanju Times or Shanghai ChiLe;

- without the prior written consent of the WFOE, they shall not appoint or remove any directors, supervisors or designated management members of Huanju Times or Shanghai ChiLe, and they shall appoint such directors as nominated by the WFOE in Huanju Times or Shanghai ChiLe; and

- upon the request by the WFOE or its appointee(s) to exercise options under the Exclusive Option Agreements, they shall immediately transfer to the WFOE its equity interest in Huanju Times or Shanghai ChiLe, and relinquish the pre-emptive right (if any) he/she is entitled to in relation to the transfer of equity interest by any other shareholders to Huanju Times or Shanghai ChiLe and give consent to the execution by each other shareholder of Huanju Times or Shanghai ChiLe.

Huanju Times Registered Shareholders and ChiLe Registered Shareholders have also undertaken that, subject to the relevant laws and regulations, they will return to the WFOE any consideration they receive in the event that the WFOE exercise the options under the Exclusive Option Agreements to acquire the equity interests in the Consolidated Affiliated Entities.

Each of the Exclusive Option Agreements have an initial term of ten years commencing from their respective effective dates, namely March 1, 2016 and March 9, 2018. The WFOE has the right to renew the term at its will and Huanju Times and Shanghai ChiLe shall agree to any such renewal. None of the Exclusive Option Agreement shall not be terminated unless in writing by the WFOE. Without prior written consent of the WFOE, none of Huanju Times or Shanghai ChiLe or their respective shareholders may terminate such agreement.

Equity Pledge Agreements

Pursuant to (1) the equity pledge agreements dated June 15, 2018 entered into among the WFOE, Huanju Times and each of the Huanju Times Registered Shareholders and (2) the equity pledge agreements dated June 15 2018 entered into among the WFOE, Shanghai ChiLe and each of the ChiLe Registered Shareholders (collectively the "Equity Pledge Agreements"), Huanju Times Registered Shareholders and ChiLe Registered Shareholders agreed to pledge all their respective existing and future equity interests in Huanju Times or Shanghai ChiLe, where applicable, including any interest or dividend paid for the shares, to the WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The pledge in respect of Huanju Times and Shanghai ChiLe took effect upon the completion of respective registration with the relevant administration for industry, which are April 15, 2016 and March 12, 2018 respectively for the Huanju Times Contractual Arrangements and the ChiLe Contractual Arrangements, and shall remain valid for an initial term of ten years commencing from the respective effective dates, which may be renewed by the WFOE in writing. If there is outstanding debts of Huanju Times Registered Shareholders, ChiLe Registered Shareholders, Huanju Times or Shanghai ChiLe under the relevant Contractual Arrangements, the valid period of Equity Pledge Agreements may be renewed in writing by the WFOE to the date when all such outstanding debts have been fully paid.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreement), unless such default is cured within twenty days following the date when the WFOE issues the written notice requesting for the cure of such default, the WFOE shall have the right to exercise all such rights as a secured party under any applicable PRC law and the Equity Pledge Agreements. Each of Huanju Times Registered Shareholders and ChiLe Registered Shareholders has undertaken that, among others, they will not transfer or bestow its respective equity interests in Huanju Times or Shanghai ChiLe without prior written consent of the WFOE, and his obligations under this agreement shall be binding on his successors.

As of the date of this document, we had completed the registration of the Equity Pledge Agreements as required by the relevant PRC laws and regulations.

Voting Rights Proxy Agreement and Powers of Attorney

Pursuant to (1) the voting rights proxy agreement dated June 15, 2018 entered into between the WFOE and the Huanju Times Registered Shareholders and (2) the voting rights proxy agreement dated June 15, 2018 entered into between the WFOE and the ChiLe Registered Shareholders (collectively, the "Voting Rights Proxy Agreements"), each of Huanju Times Registered Shareholders and ChiLe Registered Shareholders irrevocably appointed the WFOE and its designated persons (including but not limited to the Directors and their successors and liquidators replacing the Directors, but excluding those who are Huanju Times Registered Shareholders or ChiLe Registered Shareholders) as his/her attorneys-in-fact to exercise on his/her behalf, and agreed and undertook not to exercise without such attorneys-in-fact's prior written consent, any and all right that he/she has in respect of his/her equity interests in Huanju Times or Shanghai ChiLe, including without limitation:

- to attend shareholders' meetings of Huanju Times or Shanghai ChiLe and to execute any and all written resolutions and meeting minutes in the name and on behalf of such shareholder;
- to exercise all shareholder's rights and shareholder's voting rights in accordance with law and the constitutional documents of Huanju Times or Shanghai ChiLe;
- to sell and transfer the equity interests of Huanju Times or Shanghai ChiLe held by Huanju Times Registered Shareholders or ChiLe Registered Shareholders and to execute and take any action necessary for such sale or transfer;
- to disposal of any or all of the assets in Huanju Times or Shanghai ChiLe;
- to nominate or appoint directors and supervisors of Huanju Times or Shanghai ChiLe; and
- to determine and take actions for winding-up and dissolution of Huanju Times or Shanghai ChiLe.

Each of Huanju Times Registered Shareholders and ChiLe Registered Shareholders has undertaken that he/she will not directly or indirectly participate in, engage in, involve in, own or be interested in any business which potentially compete with the WFOE or its affiliates.

The valid period of each of the Voting Rights Proxy Agreement commenced from their respective effective dates, namely March 1, 2016 and March 9, 2018, and shall not be terminated unless (i) in writing by the WFOE or (ii) all the equity interests or assets of Huanju Times or Shanghai ChiLe, where applicable, is transferred to the WFOE.

Each of Huanju Times Registered Shareholders and ChiLe Registered Shareholders, through the respective power of attorney ("Power of Attorney(s)") dated June 15, 2018 issued by him, irrevocably appointed the WFOE and/or its designated person as his proxy, effective from March 1, 2016 or March 9, 2018, where applicable, to the date when the Voting Rights Proxy Agreement expires.

Spousal undertakings and Beijing JinChi shareholder undertaking

On June 15, 2018, the spouse of each of Mr. Gao, Mr. Zheng and Mr. HUA Xinjiang, where applicable, signed an undertaking (collectively, the "Spouse Undertakings") to the effect, among others, that:

- each spouse confirmed and agreed that her spouse's existing and future equity interests in Huanju Times and Shanghai ChiLe (together with any other interests therein) are separate properties of her spouse; her spouse or the ultimate beneficial owners are entitled to deal with his own equity interests and any interests therein in Huanju Times and Shanghai ChiLe in accordance with the respective Contractual Arrangements. Each spouse also further confirmed that she will fully assist to the performance of the the respective Contractual Arrangements at any time;

- each spouse unconditionally and irrevocably waives any right or benefits on such equity interests and assets in accordance with applicable laws and confirms that she will not have any claim on such equity interests and assets;

- each spouse confirmed that her spouse may further amend or terminate the Contractual Arrangements or enter into other alternative documents without the need for authorization or consent by the spouse; and

- each spouse will be bound by the terms of the Contractual Arrangements as amended from time to time if she has obtained any equity interests, directly or indirectly, in Huanju Times and Shanghai ChiLe for whatever reasons.

On June 15, 2018, all of the ultimate beneficial owners of Beijing JinChi, namely Mr. HUA Xinjiang, his spouse and two brothers, signed an undertaking (the "Beijing JinChi Shareholder Undertaking") to the effect, among others, that each of such person unconditionally and irrevocably (1) confirmed and agreed with the execution of agreements in connection with the Chile Contractual Arrangements by Beijing JinChi and (2) agreed to execute any document and take any action as necessary to fulfill their obligations under such agreements, including transfer of their equity interests in accordance with the Exclusive Option Agreements.

Our PRC legal advisors are of the view that (1) the above arrangements provide protection to our Group even in the event of death or divorce of any of such shareholder and (2) the death or divorce of such shareholder would not affect the validity of the Contractual Arrangements, and the WFOE can still enforce their rights under the Contractual Arrangements against the Huanju Times Registered Shareholders and ChiLe Registered Shareholders.

Undertakings from Huanju Times Registered Shareholders and ChiLe Registered Shareholders

Each of Huanju Times Registered Shareholders and ChiLe Registered Shareholders has confirmed and undertaken to the effect that in the event of his/her death, incapacity, divorce or any other event which causes his/her inability to exercise his/her rights as a shareholder of Huanju Times or Shanghai ChiLe, his/her successors, debtor, spouse or any other persons entitled to claim rights or interests in Consolidated Affiliated Entities will be bound by Contractual Arrangements as if they were a party to relevant agreements and will success their rights and obligations under the respective Contractual Arrangements. Each of Huanju Times Registered Shareholders and ChiLe Registered Shareholders has also confirmed that, among others, (1) the respective equity interests of Huanju Times Registered Shareholders and ChiLe Registered Shareholders in Huanju Times and Shanghai ChiLe are separate properties of such shareholders but not communal properties with his/her spouse, and (2) the respective shareholders is entitled to deal with his/her own equity interests and any interests therein in Huanju Times and Shanghai ChiLe at his sole discretion.

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission (the "CIETAC") for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be held in Beijing and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the requirements under PRC laws, the arbitral tribunal may award remedies over the shares or assets of our Consolidated Affiliated Entities or assets of the Huanju Times Registered Shareholders and ChiLe Registered Shareholders (as the case may be) or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of our Consolidated Affiliated Entities; the WFOE may apply to the courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of our Company), and the places where the principal assets of our Consolidated Affiliated Entities are located for interim remedies or injunctive relief.

However, our PRC legal advisors have advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated Entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Even if the above-mentioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that the Consolidated Affiliated Entities or Huanju Times Registered Shareholders or ChiLe Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See "Risk Factors — Risks Relating to our Contractual Arrangements."

Arrangements to Address Potential Conflict of Interest

Each of Huanju Times Registered Shareholders and ChiLe Registered Shareholders has given their irrevocable undertakings in the Voting Rights Proxy Agreement which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. For further details, see the sub-paragraph headed "— Our Contractual Arrangements — Summary of the Agreements under the Contractual Arrangements — Voting Rights Proxy Agreement and Powers of Attorney" above.

Loss Sharing

Under the relevant PRC laws and regulations, none of our Company and the WFOE is expressly legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, each of our Consolidated Affiliated Entities is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. The WFOE intends to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when deemed necessary. In addition, given that our Group conducts a substantial portion of its business operations in the PRC through the Consolidated Affiliated Entities, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses.

However, as provided in the Contractual Arrangements, without the prior written consent of the WFOE, Huanju Times or Shanghai ChiLe shall not, among others, dispose of any equity interests, asset of Huanju Times or Shanghai ChiLe, execute any material contracts, provide any loan or guarantee to third parties or create any incumbrance on any asset of Huanju Times or Shanghai ChiLe, or distribute any dividend. See "— Our Contractual Arrangements — Summary of the Agreements under the Contractual Arrangements — Exclusive Option Agreements" for details. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on the WFOE and our Company in the event of any loss suffered from the Consolidated Affiliated Entities can be limited to a certain extent.

Liquidation

Pursuant to the Contractual Arrangements, in the event of a mandatory liquidation required by the PRC laws, Huanju Times Registered Shareholders and ChiLe Registered Shareholders shall give the proceeds they received from liquidation as a gift to the WFOE or its designee(s) to the extent permitted by the PRC laws.

Insurance

The Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Company's Confirmation

As of the Latest Practicable Date, our Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

Circumstances under which we will Adjust or Unwind the Contractual Arrangements

We will adjust or unwind (as the case maybe) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Business to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC legal advisors are of the opinion that:

(i) each of the WFOE and the Consolidated Affiliated Entities is a duly incorporated and validly existing company, and their respective establishment is valid and effective, and does not violate the relevant PRC laws and regulations; and all parties to each of the Contractual Arrangements have obtained all necessary approvals and authorizations to execute and perform the Contractual Arrangements;

(ii) the parties to each of the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the agreements is binding on the parties thereto and none of them would be deemed as "concealment of illegal intentions with a lawful form" under the PRC Contract Law;

(iii) none of the Contractual Arrangements violates any provisions of the articles of association of our Consolidated Affiliated Entities or our WFOE;

(iv) each of the Contractual Arrangements is binding on the assignees or successors of the parties thereto;

(v) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that:

   a. the exercise of the option by our WFOE or its designee of its rights under the Exclusive Option Agreements to acquire all or part of the equity interests in Huanju Times and Shanghai ChiLe is subject to the approvals of and/or registrations with the PRC regulatory authorities;

   b. any share pledge contemplated under the Equity Pledge Agreements is subject to the registration with local administration bureau for industry and commerce; and

c. the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by PRC courts before compulsory enforcement.

(vi) each of the Contractual Arrangements is valid, legal and binding under PRC laws, except for the following provisions regarding dispute resolution and the liquidating committee:

a. the Contractual Arrangements provide that any dispute shall be submitted to the China International Economic and Trade Arbitration Committee (the "CIETAC") for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of our Consolidated Affiliated Entities or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of our Consolidated Affiliated Entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of incorporation of our Consolidated Affiliated Entities) shall also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our Consolidated Affiliated Entities. However, our PRC legal advisors have advised that the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; and

b. the Contractual Arrangements provide that the shareholders undertake to appoint a committee designated by our WFOE as the liquidation committee upon the winding up of the Consolidated Affiliated Entities to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws.

Notwithstanding the foregoing, representatives of our Company, the Joint Sponsors, our PRC legal advisors and the Joint Sponsors' PRC legal advisors interviewed with the MOCT through telephone, which provided oral confirmation that no governmental approval or filing is required for entering into agreements in connection with the Contractual Arrangements, provision of technical service by the WFOE to the Consolidated Affiliated Entities and entrust its operational rights to WFOE as these arrangements are within the scope of autonomous decisions of the Company. Our PRC legal advisors have advised us that such authorities are competent government authorities for the Company's principal business activities, and based on the consultation, our PRC legal advisors are of the view that the use of the Contractual Arrangements does not constitute a breach of the relevant PRC laws and regulations.

Based on the above analysis and advice from our PRC legal advisors, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be ineffective or invalid under the applicable PRC laws and regulations. See "Risk Factors — Risks Relating to Our Contractual Arrangements."

We are aware of a Supreme People's Court ruling (the "Supreme People's Court Ruling") made in October 2012 and two arbitral decisions from the Shanghai International Arbitration Center made in 2010 and 2011 which invalidated certain contractual agreements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravened the prohibition against "concealment of illegal intentions with a lawful form" set out in Article 52 of the PRC Contract Law and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (1) the possibility of PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC and (2) the incentive for Huanju Times Registered Shareholders and ChiLe Registered Shareholders under such contractual structures to renege on their contractual obligations. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (1) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (2) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (3) the contract damages the public interest; (4) an illegitimate purpose is concealed under the guise of legitimate acts; or (5) the contract violates the mandatory provisions of the laws and administrative regulations. Our PRC legal advisors are of the view that the relevant terms of our Contractual Arrangements do not fall within the above five circumstances. In particular, our PRC legal advisors are of the view that the Contractual Arrangements would not be deemed as "concealing illegal intentions with a lawful form" such that they also do not fall within circumstance (5) above under Article 52 of the PRC Contract Law because the Contractual Arrangements were not entered into for illegitimate purposes. The purpose of the Contractual Arrangements are (1) to enable Huanju Times and Shanghai ChiLe to transfer their respective economic benefits to the WFOE as service fees and (2) to ensure that Huanju Times Registered Shareholders and ChiLe Registered Shareholders do not take any actions that are contrary to the interests of the WFOE. In accordance with Article 4 of the PRC Contract Law, which is a section of the Part One (General Principles) of the PRC Contract Law setting forth fundamental principles under the PRC Contract Law, the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right. In addition, the effect of the Contractual Arrangements, which is to allow our Company to [REDACTED] while obtaining the economic benefits of our Consolidated Affiliated Entities, is not for an illegitimate purpose, as evidenced by the fact that a number of currently [REDACTED] companies also adopt similar contractual arrangements. In conclusion, our PRC legal advisors are of the view that the Contractual Arrangements do not fall within any of the five circumstances set forth in Article 52 of the PRC Contract Law.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of Financial Results of Consolidated Affiliated Entities

Under the Exclusive Business Cooperation Agreements, it was respectively agreed that, in consideration of the services provided by the WFOE, Huanju Times and Shanghai ChiLe shall pay service fees to the WFOE. The service fees shall equal to approximately 100% of the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. The WFOE has the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities.

In addition, under the Exclusive Business Cooperation Agreements, the WFOE has absolute contractual control over the distribution of dividends or any other amounts to Huanju Times Registered Shareholders or ChiLe Registered Shareholders as the WFOE's prior written consent is required before any distribution can be made. If Huanju Times Registered Shareholders or ChiLe Registered Shareholders receive any income, profit distribution or dividend, they shall promptly transfer or pay, as part of the service fees, such income, profit distribution or dividend to the WFOE or any other person designated by the WFOE to the extent permitted under applicable PRC laws.

As a result of the respective Contractual Arrangements (1) between our WFOE, Huanju Times and Huanju Times Registered Shareholders and (2) between our WFOE, Shanghai ChiLe and ChiLe Registered Shareholders, our WFOE is able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are treated as controlled structured entities of our Company and consolidated by our Company. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in Note 2.1 to part II of the Accountants' Report set out in Appendix I to this document.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Draft Foreign Investment Law

Background

MOFCOM published a discussion draft of a proposed Foreign Investment Law (the "Draft FIL") in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in the PRC. MOFCOM has solicited comments on this draft in early 2015 and substantial uncertainties exist with respect to its final form, enactment timetable, interpretation and implementation. The Draft FIL, if enacted as proposed, may materially impact the entire legal framework regulating foreign investment in the PRC.

Negative List

The Draft FIL stipulates restrictions of foreign investment in certain industry sectors. The "negative list" set out in the Draft FIL classifies the relevant prohibited and restricted industries into the "Catalog of Prohibitions" and the "Catalog of Restrictions", respectively:

- **Catalog of Prohibitions:** Foreign investors are not allowed to invest in any sector set out in the Catalog of Prohibitions. Where any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalog of Prohibitions, unless otherwise specified by the State Council.

- **Catalog of Restrictions:** Foreign investors are allowed to invest in sectors set out in the Catalog of Restrictions, provided that they fulfill certain conditions and apply for permission before making such investment.

However, the Draft FIL does not specify the businesses to be included in the Catalog of Restrictions and the Catalog of Prohibitions.

Control by PRC Entities and/or Citizens

The Draft FIL specifically provides that entities established in China but "controlled" by foreign investors will be treated as FIEs, whereas an entity organized in a foreign jurisdiction but cleared by the authority in charge of foreign investment as "controlled" by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the Catalog of Prohibitions on the "negative list" to be issued, subject to the examination of the relevant authority in charge of foreign investment. For these purposes, "control" is broadly defined in the Draft FIL to cover any of the following categories:

(i) directly or indirectly holding 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;

(ii) directly or indirectly holding less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity but:

a. having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision making bodies,

b. having the power to secure its nominated person to acquire at least 50% of the seats on the board or other equivalent decision making bodies, or

c. having the voting power to exert material influence over decision-making bodies, such as the shareholders meeting or the board; or

(iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial, staffing and technology matters.

In respect of "actual control", the Draft FIL looks at the identity of the ultimate natural person or enterprise that controls the FIE. "Actual control" refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-making arrangements. Article 19 of the Draft FIL defines "actual controllers" as the natural persons or enterprises that directly or indirectly control foreign investors or FIEs.

If an entity is determined to be an FIE, and its investment amount exceeds certain thresholds or its business operation falls within a "negative list" to be separately issued by the State Council in the future, market entry clearance by the authority in charge of foreign investment would be required.

Impact of the Draft FIL on VIE

The "variable interest entity" structure or VIE structure, has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control over the Consolidated Affiliated Entities by the WFOE, through which we operate our businesses in the PRC. According to the Draft FIL, where the FIE under the actual control of PRC investors (either by way of PRC state-owned enterprises or agencies or PRC citizens) invests in a sector set out in the Catalog of Restriction, when applying for access permission, they may submit documentary evidence to apply for identification as an investment by PRC entities and/or citizens.

Notwithstanding that the accompanying explanatory notes to the Draft FIL (the "Explanatory Notes") do not provide a clear direction in dealing with VIE structures existing before the Draft FIL becoming effective, the Explanatory Notes contemplate three possible approaches in dealing with FIEs with existing VIE structures and conducting business in an industry falling within the "negative list":

(i) requiring them to make a filing to the competent authority that the actual control is vested with Chinese investors, after which the VIE structures may be retained;

(ii) requiring them to apply to the competent authority for certification that their actual control is vested with Chinese investors and, upon verification by the competent authority, the VIE structures may be retained; and

(iii) requiring them to apply to the competent authority for access permission to continue to use the VIE structure. The competent authority together with the relevant departments will then make a decision after taking into account the actual control of the FIE and other factors.

To further clarify, under the first possible approach, "making a filing" is simply an information disclosure obligation, which means the enterprise does not have to receive any confirmation or permission from the competent authorities, while for the second and third approaches, the enterprise has to receive either the confirmation or the access permission from the competent authorities. For the latter two approaches, the second approach focuses on the nationality of the controller, whereas the third approach may take factors in addition to the nationality of the controller (which are not clearly defined in the Draft FIL and the Explanatory Notes) into consideration.

The three possible approaches above are set out in the Explanatory Note to solicit public opinion on the treatment of existing contractual arrangements, have not been formally adopted and may be subject to revisions and amendments taking into account the results of the public consultation. The Draft FIL also stipulates that investors from Hong Kong, Macau and Taiwan who control a domestic enterprise may attract special treatment and recommends the State Council to separately issue regulations to this effect.

Where foreign investors and FIEs circumvent the provisions of the Draft FIL by entrusted holdings, trusts, multi-level re-investments, leasing, contracting, financing arrangements, protocol control, overseas transactions or otherwise, make investments in sectors specified in the Catalog of Prohibitions, make investments in sectors be imposed in accordance with Article 144 of (Investments

in Sectors Specified in the Catalog of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the Draft FIL, as the case may be.

If foreign investors make investments in the sectors specified in the Catalog of Prohibitions or the Catalog of Restrictions without obtaining necessary permission, the competent authorities for foreign investment in the province, autonomous region and/or municipality directly under the Central Government at the place where the investments are made shall order them to cease the implementation of the investments, dispose of any equity or other assets within a prescribed time limit, confiscate any illegal gains and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments.

If foreign investors or FIEs are in violation of the provisions of the Draft FIL, including by way of failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities for foreign investment in the province, autonomous region and/or municipality directly under the central government at the place where the investments are made shall order them to make rectifications within a prescribed time limit; if they fail to make rectifications within the prescribed time limit, or the circumstances are serious, a fine of not less than RMB50,000 but not more than RMB500,000 or of not more than 5% of the investments shall be imposed.

Despite the content and the classification of the categories in the "negative list" being unclear and unpredictable at this stage, we will take any reasonable measures and actions under the foreign investment law then in force to minimize the adverse effect of such laws on the Contractual Arrangements.

Status of Promulgation of the Draft FIL

As of the Latest Practicable Date, there is no certainty whether, or definite timeline when, the finalized/new Foreign Investment Law will come into effect, and more importantly, whether it is to be promulgated in the current draft form, and MOFCOM has neither issued any definite rules or regulations to govern existing contractual arrangements, nor any regulations concerning the treatment of investors from Hong Kong, Macau and Taiwan who control a domestic enterprise.

Control over Our Consolidated Affiliated Entities by PRC Entities and/or Citizens

If the Draft FIL is promulgated in the current draft form, our PRC legal advisors are of the view that we are likely to be viewed as being controlled by PRC citizens on the following basis:

(i) Based on the Contractual Arrangements, the Consolidated Affiliated Entities are controlled by the WFOE (PRC incorporated) pursuant to the third limb of the definition of "control" under the Draft FIL as described above;

(ii) As of the Latest Practical Date and at the time of the [REDACTED], a majority of the Board consisted and will continue to consist of PRC Nationals. Through a series of arrangements as summarized below, we will ensure that the majority of the Board (which is the governing body of the Company and makes all material decisions with respect to the Group) is comprised of PRC citizens (the "PRC Nationals"), and our Company (and therefore the WFOE as its wholly-owned subsidiary) is likely to be considered as ultimately controlled by PRC Nationals pursuant to the second and third limbs of the definition of "control" under the Draft FIL as described above.

The Company's Corporate Governance Measures

(i) The Articles provide that the majority of the Board shall consist of PRC Nationals (the "PRC Nationals Control Clause");

(ii) The Articles provides that a Director may only be elected or appointed either (1) by Shareholders voting upon the resolutions that have been proposed by a majority of the Directors; or (2) by a majority of the Directors (the "Director Election/Appointment Clause");

(iii) The Articles provide that the Board has the power, from time to time and at any time, to appoint any person as an additional Director to the Board, subject to the requirement that any director so appointed shall hold office only until the next annual general meeting and shall then be eligible for re-election. If the Shareholders do not vote to re-elect any Director nominated or appointed by the Board, it is in any event within the power of the Board to appoint one or more additional Directors, subject to the Directors being subject to re-election at the next annual general meeting of the Company (the "Additional Directors Appointment Clause");

(iv) The terms of reference of the Board provides that the Board has the power to ensure that a majority of the Directors on the Board are PRC Nationals;

(v) The Nomination Committee of the Board [comprises] only PRC Nationals (being Mr. Gao, Mr. LIANG Zhanping and Ms. ZHAO Xuemei). The Nomination Committee is responsible for recommending nominees to the Board for appointment as Directors. The terms of reference of the Nomination Committee provides that when Directors, the Nomination Committee shall be bound by the PRC Nationals Control Clause. The Articles provide that the Shareholders have no right to propose any amendment to the terms of reference of the Nomination Committee which has not been proposed by the Board;

Our legal advisors on Cayman Islands Law, Conyers Dill & Pearman, have confirmed that the PRC Nationals Control Clause, the Director Election/Appointment Clause and the Additional Directors Appointment Clause are not in contravention of the Cayman Islands' laws applicable to the Company which are currently in force. The Company's PRC legal advisors are of the view that even

if the Draft Foreign Investment Law is promulgated in the current draft form, the Company will still be viewed as being controlled by PRC Nationals, and the Consolidated Affiliated Entities, which are controlled by the WFOE, which is in turn controlled by the Company, can legally operate in a sector which is in the "Catalog of Restrictions" or "Catalog of Prohibitions" on the "catalog of special administrative measures", such that the Contractual Arrangements will be deemed as a domestic investment and permitted to continue even if the Draft FIL is promulgated in the current draft form.

The Company's Undertakings

Pursuant to the Company's undetaking dated May 24, 2018 issued by the Company, the Company will undertake to the Stock Exchange (the "Company's Undertaking") that:

(i) it will use its best endeavor to ensure that a majority of the Directors on the Board are PRC Nationals, to the extent permitted by applicable laws, regulations and rules; and

(ii) if the Company receives any proposal to amend any of the PRC Nationals Control Clause, the Director Election/Appointment Clause and/or the Additional Directors Appointment Clause, it will make full disclosure of the potential risks associated with such proposal and the scenario which may arise from such amendment, including but not limited to [REDACTED], in the circular to be dispatched to the Shareholders of the Company.

The Company's Undertaking will become effective immediately after completion of the [REDACTED] and remain effective until the earlier of the occurrence of the following events:

(i) compliance with the relevant requirements under the Draft FIL or applicable foreign investment laws (together with, if any, all subsequent amendments or updates, as promulgated) as finally enacted is not required and the Stock Exchange has consented to this;

(ii) compliance with the Company's Undertakings is no longer required, as advised by the Stock Exchange;

(iii) the Stock Exchange and any applicable Chinese regulatory departments have consented to such termination;

(iv) the Company unwinds and terminates the Contractual Arrangements; or

(v) the Company is [REDACTED] from the Stock Exchange.

To the extent that only part of the Company's Undertaking above is no longer required as a result of the above, only such part of the Company's Undertaking that is no longer required shall cease to be effective. To the extent that the Company's Undertaking (or any part thereof) is no longer effective, the Company will issue an announcement as soon as possible.

Furthermore, the Company's Undertaking will be a public document for inspection. See "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection."

The Shareholders' Undertaking

Pursuant to the shareholders' undertaking dated May 24, 2018 issued by Mr. Gao, Mr. Zheng, their respective investment holding companies holding our Shares, namely Wanka Media Limited and Countryside Tech Inc., and all the Pre-[REDACTED] Investors (the "Shareholders' Undertaking"), they jointly undertake to the Company and the Stock Exchange, to the extent of all their shareholdings in the Company from time to time, that:

(i) they will not, severally or jointly, propose any resolution to amend the PRC Nationals Control Clause, the Director Election/Appointment Clause and/or the Additional Directors Appointment Clause in the Company's constitutional document at the general meeting of the Company; and

(ii) they will vote against any proposal to amend the PRC Nationals Control Clause, the Director Election/Appointment Clause and/or the Additional Directors Appointment Clause in the Company's constitutional document at the general meeting of the Company.

The Shareholders' Undertaking will become effective immediately upon completion of the [REDACTED] and remain effective until the earlier of the occurrence of the following events:

(i) compliance with the relevant requirements under the Draft FIL or applicable foreign investment laws (together with, if any, all subsequent amendments or updates, as promulgated) as finally enacted is not required and the Stock Exchange has consented to this;

(ii) compliance with the Shareholders' Undertaking is no longer required, as advised by the Stock Exchange;

(iii) the Stock Exchange and any applicable Chinese regulatory departments have consented to such termination;

(iv) the Company unwinds and terminates the Contractual Arrangements;

(v) the relevant Shareholder completes disposal of all its shareholdings in the Company; or

(vi) the Company is [REDACTED].

To the extent that only part of the Shareholders' Undertaking above is no longer required as a result of the above, only such part of the Shareholders' Undertaking that is no longer required shall cease to be effective. To the extent that the Shareholdings' Undertaking (or any part thereof) is no longer effective, the Company will issue an announcement as soon as possible.

The Company will review and disclose the compliance with the Company's Undertaking and the Shareholders' Undertaking in its annual reports after the [REDACTED].

Furthermore, it is impracticable for the Pre-[REDACTED] Investors to provide an undertaking that in the event of any transfer or disposal of their respective Shares, they will only transfer their interest in the Company to PRC Nationals, as such undertaking will substantially reduce the Pre-[REDACTED] Investors' investment values and make it impracticable to dispose of the Pre-[REDACTED] Investors' Shares in the Company in the open market.

Based on the views of our PRC legal advisors, our Directors are of the view that the Contractual Arrangements are likely to be deemed as a domestic investment and permitted to continue even if the Draft Foreign Investment Law is promulgated in the current draft form.

Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefit from our Consolidated Affiliated Entities alone may not be effective in ensuring compliance with the new Foreign Investment Law together with, if any, all its subsequent amendments or updates, as promulgated (if and when it becomes effective). In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the [REDACTED] of our Shares. If, after the [REDACTED], we fail to comply with the finalized Foreign Investment Law if and when it becomes effective, we may be required to dispose of our business under the Contractual Arrangements or make necessary corporate structure adjustments so as to comply with the finalized Foreign Investment Law. In one of the worst scenario, if we are not able to maintain a sustainable business after the disposal or corporate structure adjustment, we may be [REDACTED] from the Stock Exchange. See "Risk Factors — Risks Relating to Our Contractual Arrangements."

Potential Impact to Our Company if the Contractual Arrangements Are not Treated as Domestic Investment

If the operation of the Relevant Businesses is no longer on the "negative list" and we can legally operate the Relevant Businesses under PRC Laws, our WFOE will exercise the equity/asset purchase option under the exclusive option agreements to acquire the equity interest and/or assets of the Consolidated Affiliated Entities and unwind the Contractual Arrangements subject to any then applicable approvals from relevant authorities.

If the operation of the Relevant Businesses is on the "negative list" and the Draft FIL as finally enacted is refined or deviates from the current draft, depending on the treatment of existing VIE structures, the Contractual Arrangements may be regarded as invalid and illegal. As a result, we would not be able to operate the Relevant Businesses through the Contractual Arrangements and would lose our rights to receive the economic benefits of the Consolidated Affiliated Entities. As a result, the financial results of the Consolidated Affiliated Entities would no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If our Group does not receive any compensation, an investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing entities engaged in similar businesses which have obtained [REDACTED] status abroad, are operating under contractual arrangements, our Directors are of the view that it is unlikely, if the Draft FIL is promulgated, that the relevant authorities will apply it retrospectively to require relevant enterprises to remove or otherwise unwind their contractual arrangements.

However, there are uncertainties as to the definition of control that may be adopted in the Draft FIL as finally enacted, and the relevant government authorities will have a broad discretion in interpreting the law. See "Risk Factors—Risks Relating to Our Contractual Arrangements" for further details of the risks we face relating to our Contractual Arrangements. In any event, our Company will take reasonable steps in good faith to seek compliance with the enacted version of the FIL, if and when it comes into force. Our Company undertakes that it will, after consulting with our PRC Legal Advisors and based on their advice, disclose (1) updates of changes to the Draft FIL that will materially and adversely affect our Company as and when they occur; and (2) a clear description and analysis of the final FIL, and any material impact of the final FIL on our Company's operations and financial position as soon as practicable.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and

(iv) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of our WFOE and Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

OUR CONNECTED TRANSACTIONS AND CONNECTED PERSONS

Our Directors confirmed that as of the Latest Practicable Date, we have no transactions that will constitute continuing connected transactions under Chapter 14A of the Listing Rules after the [REDACTED], except for the transactions contemplated under the Contractual Arrangements, through which we obtained effective control over the financial and operational policies of our Consolidated Affiliated Entities and become entitled to all the economic benefits derived from their operations.

As Mr. Gao, Mr. Zheng and Beijing JinChi are connected persons of our Group and one or more of the applicable percentage ratios of transactions in respect of the Contractual Arrangements is estimated to be more than 5%, the transactions under the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Group and will be subject to reporting, announcement, independent shareholders' approval, circular and annual review requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background

As disclosed in "Contractual Arrangements," due to regulatory restrictions on foreign ownership in the PRC, our business are primarily conducted through the Consolidated Affiliated Entities, which hold certain licenses and permits required for the operation of our businesses. We do not hold any equity interests in Huanju Times or Shanghai ChiLe. Huanju Times is held by Mr. Gao and Mr. Zheng. Shanghai ChiLe is held by Mr. Gao and Beijing JinChi. As a result, our Group has entered into (1) the Huanju Times Contractual Arrangements with the WFOE, Huanju Times and Huanju Times Registered Shareholders, and (2) the ChiLe Contractual Arrangements with the WFOE, Shanghai ChiLe and ChiLe Registered Shareholders, to enable us to, among others, (1) receive substantially all of the economic benefits from Huanju Times and Shanghai ChiLe in consideration for the services provided by our Company thereto; (2) exercise effective control over the Consolidated Affiliated Entities; and (3) hold an exclusive option to purchase all or part of the equity interests in Huanju Times and Shanghai ChiLe when and to the extent permitted by PRC laws.

The Contractual Arrangements consist of various types of documents. For detailed terms of these documents, see "Contractual Arrangements."

Listing Rules Implications

Mr. Gao and Mr. Zheng, both of whom are executive Directors and our Controlling Shareholders, and Beijing JinChi, which is a substantial shareholder of Shanghai ChiLe, are connected persons of our Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the transactions contemplated under the Contractual arrangements constitute continuing connected transactions of our Company under the Listing Rules upon [REDACTED].

Our Directors (including the independent non-executive Directors) are of the view that the Contractual arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual arrangements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our Consolidated Affiliated Entities and any member of our Group ("New Intergroup Agreements" and each of them, a "New Intergroup Agreement") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the reporting, announcement, independent shareholders' approval and annual review requirements under Rules 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 14A.59 and 14A .71 of the Listing Rules.

Application for Waiver

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (1) the announcement, circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rules 14A.04 and 14A.105 of the Listing Rules, (2) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (3) the requirement of limiting the terms for the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are [REDACTED] on the Stock Exchange subject however to the following conditions:

(a) *No change without independent non-executive Directors' approval*

No change to the Contractual Arrangements (including with respect to any fees payable to Wanka Huanju thereunder) will be made without the approval of the independent non-executive Directors.

(b) *No change without independent Shareholders' approval*

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) *Economic benefits flexibility*

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through: (1) our Group's option (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in Huanju Times and Shanghai ChiLe for consideration equivalent to the minimum purchase price permitted by applicable PRC laws and regulations; (ii) the business structure under which 100% of the total consolidated profit generated by the Consolidated Affiliated Entities, after deduction of any accumulated deficit in respect of the preceding financial years, operating costs, expenses, taxes and other statutory contributions is retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Wanka Huanju under the Exclusive Business Operation Agreements; and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Huanju Times and Shanghai ChiLe.

(d) *Renewal and reproduction*

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and our Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) *Ongoing reporting and approvals*

Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules;

- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (1) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (2) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of their equity interest which are not otherwise subsequently assigned or transferred to our Group,

and (3) any new contract entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to the Shareholders, so far as our Group is concerned and in the interests of our Shareholders as a whole;

- our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors and have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of their equity interest which are not otherwise subsequently assigned or transferred to our Group;

- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our Consolidated Affiliated Entities will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of each of our Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding for the purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and

- our Consolidated Affiliated Entities will undertake that, for so long as our Shares are [REDACTED] on the Stock Exchange, our Consolidated Affiliated Entities will provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

In addition, we have also applied to the Stock Exchange for[, and the Stock Exchange has granted,]a waiver from strict compliance with the requirements of (1) the announcement, circular and independent shareholders' approval in respect of the transactions contemplated under any New Intergroup Agreements (as defined below) pursuant to Rules 14A.04 and 14A.105 of the Listing Rules, (2) setting an annual cap for the transactions contemplated under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules, and (3) limiting the term of any New Intergroup Agreement to three years or less under Rule 14A.52 of the Listing Rules, for so long as Shares are [REDACTED]. The waiver is subject to the conditions that the Contractual Arrangements subsist and that the Consolidated Affiliated Entities will continue to be treated as the Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of the Company (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and the Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. The Company will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirement than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

DIRECTORS' CONFIRMATION

Our Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Contractual Arrangements as described above, and for which waivers have been sought, have been entered into in the ordinary and usual course of business of our Group, are fundamental to our legal structure and business operation, are on normal commercial terms, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (1) the financial and operation of our Consolidated Affiliated Entities can be effectively controlled by Wanka Huanju, (2) Wanka Huanju can obtain the economic benefits derived from our Consolidated Affiliated Entities, and (3) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

JOINT SPONSORS' CONFIRMATION

The Joint Sponsors have (1) considered our Group's business model and reviewed the relevant agreements and information underlying the Contractual arrangements, (2) discussed with the Company and the relevant professional parties and obtained written confirmations from the Company and the executive Directors, and (3) participated in the due diligence and discussions with our management and our PRC Legal Advisor, and have obtained necessary representations and confirmations from our Company and our Directors. Based on the above, the Joint Sponsors concur with the views of the Directors stated in the previous paragraph.

INTERNAL CONTROL MEASURES

We will adopted the following internal control and corporate governance measures to closely monitor connected transactions and ensure future compliance with the Listing Rules:

(1) we will adopt and implement a management system on connected transactions and our Board and various internal departments of our Company will be responsible for the control and daily management in respect of the continuing connected transactions;

(2) our Board and various internal departments of our Company will be jointly responsible for evaluating the terms of the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps (if applicable) under each transaction;

(3) our Board and the finance department of our Group will regularly monitor the connected transactions and our management will regularly review the pricing policies to ensure connected transactions to be performed in accordance with the relevant agreements;

(4) we shall engage our auditors to, and our independent non-executive Directors will, conduct annual review on the connected transactions to ensure that the transactions contemplated thereunder have been conducted pursuant to the requirements of the Listing Rules and have fulfilled the relevant disclosure requirements; and

(5) we will comply with the relevant requirements under Chapter 14A of the Listing Rules for the continuing connected transactions, and comply with the conditions prescribed under the wavier submitted to the Stock Exchange in connection with the continuing connected transactions in this regard.

SUMMARY INFORMATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth information regarding our current Directors.

Name	Age	Position	Date of appointment as Directors	Time of joining our Group	Responsibilities	Relationship with other Directors and senior management
Directors						
Mr. GAO Dinan (高弟男)	39	executive Director, chairman of the board, chief executive officer	November 7, 2014	March 7, 2014	Overall management of the business, strategy and corporate development of our Group	None
Mr. ZHENG Wei (鄭煒)	40	executive Director and vice chairmen of the board	March 1, 2016	March 1, 2016	Managing overall strategy and developing the relationship with investors	None
Ms. ZHOU Yan (周豔)	40	executive Director and chief financial officer	June 15, 2018	March 1, 2017	Overall management of financial strategy of our Group	None
Ms. XIE Guowang (謝幗望)	43	non-executive Director	April 18, 2017	April 18, 2017	Supervising the management of our Group	None
Mr. SONG Chunyu (宋春雨)	41	non-executive Director	May 3, 2016	May 3, 2016	Supervising the management of our Group	None
Mr. ZHU Jing (朱菁)	53	non-executive Director	June 15, 2018	June 15, 2018	Supervising the management of our Group	None
Mr. CHEN Baoguo (陳寶國)	54	independent non-executive Director	[●]	[●]	Supervising and providing independent opinion and judgement to our Board	None

Name	Age	Position	Date of appointment as Directors	Time of joining our Group	Responsibilities	Relationship with other Directors and senior management
Mr. LIANG Zhanping (梁戰平)	75	independent non-executive Director	[●]	[●]	Supervising and providing independent opinion and judgement to our Board	None
Ms. ZHAO Xuemei (趙學梅)	39	independent non-executive Director	[●]	[●]	Supervising and providing independent opinion and judgement to our Board	None

The following table sets forth information regarding the senior management members of our Company:

Name	Age	Position	Appointment Date as senior management	Time of joining our Group	Responsibilities	Relationship with other Directors and senior management
Mr. ZHANG Zhen (張震)	39	chief information officer	August 22, 2014	August 22, 2014	Corporate information management, overseeing product testing of our Group	None
Mr. WU Yang (武暘)	38	chief strategy officer	September 24, 2014	September 24, 2014	Strategy development of our Group	None
Mr. NIU Chong (牛充)	32	vice president of technology	August 1, 2014	August 1, 2014	Providing guidance on computer science	None

BOARD OF DIRECTORS

Executive Directors

Mr. GAO Dinan (高弟男), aged 39, is our founder, an executive Director and the chairman of the Board, and has served as our chief executive officer since March 2014, being responsible for overall management of the business, strategy and corporate development of our Group. Mr. Gao has 14 years of experience in the technology industry.

Mr. Gao currently holds directorships or senior management positions in certain of the Consolidated Affiliated Entities of our Group. He has served as a director of Wanka Hong Kong, Wanka Huanju, Wanka Tianjin and Wanka Hainan since June 2014, October 2014, June 2017 and June 2017, respectively. Mr. Gao also served as a director of Huanju Times from March 2014 to June 2018.

Prior to founding our Group, Mr. Gao served as a business director of mobile business department of Baidu Online Network Technology (Beijing) Co., Ltd. (百度在線網路技術(北京)有限公司) from June 2008 to March 2014, a subsidiary of Baidu, Inc. (百度公司) which is a company listed on Nasdaq (stock symbol: BIDU), specializing in internet-related services and products and artificial intelligence.

Mr. Gao obtained a bachelor degree in business administration from Beijing College of Finance and Commerce (北京財貿職業學院) in May 2005 and a master degree in business administration from Beijing University of Posts and Telecommunications (北京郵電大學) in May 2008.

Mr. ZHENG Wei (鄭煒), aged 40, is our executive Director and the vice chairman of the Board. Since he joined our Group in March 2016, Mr. Zheng has been primarily responsible for managing overall strategy and developing the relationship with investors. He has 11 years of experience in the technology industry.

Prior to joining our Group, Mr. Zheng served as a partner of Northern Light Investment Advisory (Beijing) Co., Ltd. (北極光投資顧問(北京)有限公司) from July 2015 to February 2016. Mr. Zheng served as the general manager of the creation development department and business cooperation department as well as a vice general manager in the mobile service group of Baidu Online Network Technology (Beijing) Co., Ltd. from July 2007 to July 2015.

Mr. Zheng obtained a bachelor degree in engineering mechanics and a master degree in solid mechanics from Tsinghua University (清華大學) in July 1999 and in July 2001, respectively. He also obtained a degree of Ph.D. in informatics from Peking University (北京大學) in July 2014.

Ms. ZHOU Yan (周豔), aged 40, is our executive Director and chief financial officer. Ms. Zhou is primarily responsible for the management of financial strategy of our Group. Ms. Zhou joined our Group in March 2017 and has served as the chief financial officer of our Company since then. She was appointed as an executive Director in June 2018. Ms. Zhou has 14 years of experience in corporate finance.

Ms. Zhou currently holds senior management positions in certain of the Consolidated Affiliated Entities of our Group. She has served as a supervisor of Wanka Sichuan, Wanka Tianjin and Wanka Hainan since November 2017, June 2017 and June 2017, respectively. She has also been the chief financial officer of Wanka Huanju since March 2017.

Prior to joining our Group, Ms. Zhou served as senior management of the finance department of Tsinghua Holding Co., Ltd. (清華控股有限公司) from June 2016 to February 2017. From July 2015 to May 2016, she served as the general manager of the finance department in Tsinghua Holding Venture Capital Co., Ltd. (清控創業投資有限公司). From April 2014 to June 2015, she served as the general manager of finance department in Tsinghua Holdings Human Settlements Construction Group Co., Ltd. (清控人居建設(集團)有限公司). From July 2010 to March 2014, she served as a vice general manager of finance department in Beijing Enterprises Holding Investment Management Co., Ltd. (北京控股投資管理有限公司), a subsidiary of Beijing Enterprises Holding Limited (北京控股有限公司) that is listed on the Stock Exchange (stock code: 392). From December 2008 to February 2010, she served as a senior accountant at Beijing Futian Cummins Engine Co., Ltd. (北京福田康明斯發動機有限公司), a subsidiary of Commins Inc. that is a company listed on New York Stock Exchange (stock symbol: CMI). From July 2004 to November 2008, she served as an accountant at Beijing BOE Optoelectronics Technology Co., Ltd. (北京京東方光電科技有限公司), a subsidiary of BOE Technology Group Co., Ltd. (北京京東方科技集團股份有限公司) which is listed on Shenzhen Stock Exchange (stock code: 000725 and 200725).

Ms. Zhou obtained a master degree in accounting from Jilin University of Finance and Economics (吉林財經大學) in July 2004. Ms. Zhou obtained a fund qualification certificate granted by China Securities Investment Fund Association (中國證券投資基金業協會) in April 2016, and a tax accountant qualification certificate granted by China Association of Chief Accountants (中國總會計師協會) in September 2012. She has been a senior-level accountant granted by Beijing Municipal Bureau of Human Resources and Social Security (北京市人力資源與社會保障局) since October 2017.

Non-executive Directors

Ms. XIE Guowang (謝幗望), aged 43, is a non-executive Director and joined our Group since April 2017. Ms. Xie has been the founding partner of Shenzhen Qianhai ADV Fund Management Co., Ltd. (深圳前海啟道基金管理有限公司) since July 2015. Prior to that, Ms. Xie served as the secretary general of Guangdong Equity Investment Association (廣東股權投資協會) from July 2010 to December 2014, the general manager of TDR Investment Holdings Corporation from May 2008 to June 2010, the deputy general manager of CITIC Securities Co., Ltd. (中信證券股份有限公司), which is listed on Shanghai Stock Exchange (stock code: 600030) and the Stock Exchange (stock code: 06030), from March 2004 to April 2008, and deputy general manager of Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司, formerly known as United Securities Co., Ltd. (聯合證券有限責任公司)) from August 1995 to October 2001.

Ms. Xie received a bachelor degree in vocal music from Xinghai Conservatory of Music (星海音樂學院) in Guangzhou in July 1995. Ms. Xie is currently a master candidate of HSBC Business School of Peking University.

Mr. SONG Chunyu (宋春雨), aged 41, is a non-executive Director and joined our Group since May 2016. Mr. Song has been working at Lenovo (Beijing) Co., Ltd. (聯想(北京)有限公司), a subsidiary of Lenovo Group Limited (聯想集團有限公司) which is listed on the Stock Exchange (stock code: 00992) since July 2001 and served multiple positions successively, such as managing director and vice president.

Mr. Song obtained a bachelor degree in automatic control and a master degree in control theory and control engineering from Harbin Institute of Technology (哈爾濱工業大學) in July 1997 and July 2001, respectively.

Mr. ZHU Jing (朱菁), aged 53, is a non-executive Director and joined our Group since June 2018. Mr. Zhu has been the chairman of board of Shanghai Fukun Investment Management Co., Ltd. (上海富堃投資管理有限公司), Shenzhen Fukun Venture Capital Group Co., Ltd. (深圳市富坤創業投資集團有限公司) and Chengdu Fukun Yingchuang Equity Fund Management Co., Ltd. (成都富坤盈創股權資基金管理有限公司) since September 2004, April 2008 and May 2014, respectively. He has been the director of Shenzhen DT Richland Investment Management Co., Ltd. (深圳市德同富坤投資管理有限公司) since September 2010. Mr. Zhu also has been serving as the adjunct professor at Shanghai University of Finance and Economics (上海財經大學) since October 2000.

Mr. Zhu received a bachelor degree and a degree of Ph.D. in economics from Fudan University (复旦大學) in June 1985 and June 1993, respectively. In January 1997, Mr. Zhu was awarded as a senior economist in financial economics by Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳).

Independent Non-executive Directors

Mr. CHEN Baoguo (陳寶國), aged 54, is an independent non-executive Director of our Group. Mr. Chen has been the deputy secretary general of China Software Industry Association (中國軟件行業協會) since March 2018. From January 2008 to January 2018, he was the deputy director of Institute of International Technology and Economics (國際技術經濟研究所) at State Council Development Research Center (國務院發展研究中心).

Mr. Chen received a bachelor degree in material management from Northern Jiaotong University (北方交通大學) in July 1986, and a master degree in metal material and heat treatment from Yanshan University (燕山大學) in June 1991. Then he obtained a degree of Ph.D. in economics and management from Northern Jiaotong University in May 2003.

Mr. LIANG Zhanping (梁戰平), aged 75, is an independent non-executive Director of our Group. Mr. Liang has more than 50 years of experience in information analysis and research. From May 1972 to June 2003, Mr. Liang served as a researcher and then as the director of China Institute of Science and Technology Information (中國科學技術信息研究所). Mr. Liang also held multiple positions at various institutions and organizations, such as adjunct professor of information management department at Nanjing University (南京大學) from October 1999 to October 2002.

Mr. Liang received a bachelor degree in chemistry from Zhejiang University (浙江大學) in September 1967.

Ms. ZHAO Xuemei (趙學梅), aged 39, is an independent non-executive Director of our Group. Ms. Zhao has been teaching in the department of accounting at Qinhuangdao Campus of Northeastern University (東北大學) in the PRC since July 2004, as faculty from July 2004 to November 2012, and as director of the department of accounting from November 2012.

Ms. Zhao received a bachelor degree in accounting from Zhengzhou Institute of Aeronautical Industry Management (鄭州航空工業管理學院) in June 2001, and a master degree in accounting from Jilin University of Finance and Economics (吉林財經大學) in June 2004. Ms. Zhao was also accredited as a certified public accountant by the Beijing Institute of Certified Public Accountants (北京註冊會計師協會) on September 10, 2010.

Save as disclosed above, each of our Directors confirms with respect to himself that he (1) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (2) there are no other matters concerning our Directors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Mr. GAO Dinan (高弟男), is our founder, an executive Director, the chairman of the Board and our chief executive officer. For details, see "— Board of Directors."

Mr. ZHENG Wei (鄭煒), is our executive Director and vice chairman of the Board. For details, see "— Board of Directors. "

Ms. ZHOU Yan (周豔), is an executive Director and our chief financial officer. For details, see "— Board of Directors."

Mr. ZHANG Zhen (張震), aged 39, is our chief information officer and joined our Group in August 2014. Mr. Zhang is primarily responsible for corporate information management and overseeing product testing of our Group. Mr. Zhang has nearly 14 years of experience in technology industry.

Mr. Zhang currently holds directorships or senior management positions in certain of the Consolidated Affiliated Entities of our Group. He has served as the executive director of Wanka Sichuan since November 2017, the executive director of Beijing Jingzhe since April 2017, and the chief information officer of Wanka Huanju since August 2014. From June 2018, he has been the director of Huanju Times.

Prior to joining our Group, Mr. Zhang served as a manager of wireless business department in Baidu Online Network Technology (Beijing) Co., Ltd. from December 2010 to December 2013. From December 2004 to March 2005 and from March 2006 to March 2011, he served as a technology director of wireless business department in Sohu New Era Network Information Technology Co., Ltd. (搜狐新時代網路資訊技術有限公司), a subsidiary of Sohu.com Inc., which is listed on Nasdaq (stock symbol: SOHU) and primarily engaged in providing internet services.

Mr. Zhang obtained a bachelor degree in computer science and technology from Beijing Institute of Technology (北京理工大學) in August 2004.

Mr. WU Yang (武暘), aged 38, is our chief strategy officer and joined our Group in September 2014. Mr. Wu is primarily responsible for strategy development of our Group. He has also served as a chief strategy officer at Wanka Huanju since September 2014. Mr. Wu has nearly 17 years of experience in technology industry.

Prior to joining our Group, Mr. Wu served as a director of product operations at Sohu New Era Network Information Technology Co., Ltd. from September 2011 to August 2013. From June 2010 to October 2011, Mr. Wu served as the general manager of business products department in Beijing D-Media Communication Technology Co., Ltd. (北京新媒傳信科技有限公司), a subsidiary of Beijing Ultrapower Software Co., Ltd. (北京神州泰岳軟件股份有限公司) which is listed on Shenzhen Stock Exchange (stock code: 300002). From October 2006 to October 2010, he served as a product manager and a vice general manager at Beijing C-Platform Co., Ltd. (北京寬連十方數字技術有限公司). From September 2001 to October 2006, he served as an engineer and a production manager at Sohu New Era Network Information Technology Co., Ltd.

Mr. Wu obtained a bachelor degree in computer science and technology from Northeastern University (東北大學) in July 2001.

Mr. NIU Chong (牛充), aged 32, is a vice president of technology of our Company and joined our Group in August 2014. Mr. Niu is primarily responsible for providing guidance on computer science. Mr. Niu has five years of experiences in computer sciences application. He has also served as a vice president of technology at Wanka Huanju since August 2014.

Prior to joining our Group, Mr. Niu served as a senior engineer at Baidu Online Network Technology (Beijing) Co., Ltd., from July 2013 to August 2014. He was responsible for research on cloud computing platform.

Mr. Niu obtained a bachelor degree in computer science and technology from Northeastern Petroleum University (東北石油大學) in July 2013.

COMPANY SECRETARY

Mr. CHAN Chi Keung (陳志強), aged 31, is the company secretary and the deputy chief financial officer of our Company, being responsible for the financial management of our Group and secretarial matters of our Company. Mr. Chan joined our Group and was appointed as a deputy chief financial officer in May 2018. He was appointed as the company secretary of our Company in June 2018. Mr. Chan has over nine years of experience in accounting, auditing, financial management and corporate governance matters.

Prior to joining the Company, Mr. Chan was the chief financial officer, company secretary and authorised representative of ZH International Holdings Limited from June 2016 to April 2018, a property development company listed on the Stock Exchange (stock code: 00185). From March 2015 to June 2016, Mr. Chan was a senior manager in the finance department of CITIC United Asia Investments Limited, a subsidiary of CITIC Limited (中國中信股份有限公司) which is listed on the Stock Exchange (stock code: 00267). Prior to that, he served in the assurance department of Ernst & Young with last position as a manager from September 2008 to March 2015.

Mr. Chan received a bachelor degree in business administration and accountancy from City University of Hong Kong in November 2008. Mr. Chan has been a member of the Hong Kong Institute of Certified Public Accountants since January 2014.

BOARD COMMITTEES

Audit Committee

We have established an audit committee on [●] with terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Mr. CHEN Baoguo, Ms. ZHAO Xuemei and Mr. ZHU Jing, with Mr. CHEN baoguo being the chairman of the committee.

The primary duties of the Audit Committee are:

(a) to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;

(b) to review the financial information and relevant disclosures of the Company;

(c) to consider and approve the risk management and internal control evaluation proposal of the Company, and supervise and evaluate the risk management and internal control of the Company;

(d) to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of the Company, supervise and evaluate the work of internal audit of the Company and formulate the medium- to long-term audit plan, annual working plan and internal audit system setting plan of the Company as authorized by the Board, and report to the Board;

(e) to propose the appointment or dismissal of an external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;

(f) to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;

(g) to monitor any non-compliance of the Company in respect of the financial reports and its risk management and internal controls; and

(h) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are [REDACTED] and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

Remuneration Committee

We have established a remuneration committee on [●] with terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, namely Mr. LIANG Zhanping, Mr. CHEN Baoguo and Mr. ZHENG Wei, with Mr. LIANG Zhanping being the chairman of the committee.

The primary duties of the Remuneration Committee are:

(a) to organize and formulate the remuneration policy and plan of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of Directors and senior management and submit to the Board for approval; and

(b) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are [REDACTED] and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

Nomination Committee

We have established a nomination committee on [●] with terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of three members, namely Mr. GAO Dinan, Mr. LIANG Zhanping and Ms. ZHAO Xuemei, with Mr. GAO Dinan being the chairman of the committee.

The primary duties of the Nomination Committee are:

(a) to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;

(b) to make recommendations to the Board on the nomination of candidates for Director, President and secretary of the Board;

(c) to preliminarily examine the eligibility of candidates for Director and senior management positions;

(d) to make recommendations to the Board on the nomination of candidates for chairmen and members of the Board committees; and

(e) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are [REDACTED] and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

DIRECTORS' REMUNERATION

We offer our executive Directors and senior management members, who are also employees of our Company, emolument in the form of salaries, remuneration, pension, discretionary bonus and other welfares. Our non-executive Director did not receive any emolument from our Group during the Track Record Period. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or chairman of Board committees). We adopt a market and incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals. We also adopted certain share incentive schemes to attract, retain and motivate employees. See "Statutory and General Information — D. Share Incentive Schemes" in Appendix IV to this document for more details.

The aggregate amount of emolument (including salaries, remuneration, pension, discretionary bonus and other welfares) paid to our Directors for the three years ended December 31, 2015, 2016 and 2017 were RMB0.1 million, RMB0.2 million and RMB0.2 million, respectively. It is estimated that under the arrangements currently in force, the aggregate emolument payable to the Directors for the year ending December 12, 2018, will be approximately RMB3.0 million.

For the three years ended December 31, 2015, 2016 and 2017, the aggregate amount of emolument paid to the five highest paid individuals of our Group, excluding Directors and chief executive, were RMB0.9 million, RMB1.6 million and RMB1.7 million, respectively.

During the Track Record Period, no remuneration was paid to, or receivable by, our Directors or the five highest paid individuals of our Company as an inducement to join or upon joining our Company or as a compensation for loss of office in the Track Record Period. Further, none of our Directors had waived any emolument during the same period.

Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals of our Company during the Track Record Period.

Each of our executive Directors has entered into a service contract with us on [●] and we have also entered into letters of appointment with each of our non-executive Director and independent non-executive Directors on [●]. For details, see "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders" in Appendix IV to this document.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer. Mr. GAO Dinan is our chairman and chief executive officer. With extensive experience in the information technology industry, Mr. Gao is responsible for the overall strategic planning and general management of our Group and is instrumental to our growth and business expansion since our establishment. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group and ensures consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. The balance of power and authority is not impaired and is ensured by the operation of the senior management and our Board, which comprises experienced individuals. Upon the [REDACTED], our Board will comprise three executive Directors (including Mr. Gao), three non-executive Director and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. Our Board will continue to review and consider splitting the roles of chairman and the chief executive officer of our Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole. Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

(a) before publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might constitute a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;

(c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results of operation deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the [REDACTED] and end on the date on which we distribute the annual report of the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company as of the date of this document and immediately after completion of the [REDACTED]:

As of the date of this document	**Aggregate nominal value of Shares (US$)**
Authorized share capital	
24,968,621,910 Ordinary Shares[(1)] of par value of US$0.000002 each	49937.24
31,378,090 Preferred Shares[(2)] of par value of US$0.000002 each	62.76
Issued share capital	
88,304,545 Ordinary Shares[(3)] of par value of US$0.000002 each	176.61
31,378,090 Preferred Shares[(2)] of par value of US$0.000002 each	62.76
Immediately after completion of the [REDACTED][(4)]	
Authorized share capital	
250,000,000,000 Shares of par value of US$0.0000002 each[(5)]	50,000
Issued share capital	
1,196,826,350 Shares of par value of US$0.0000002 each in issue	239.37
[REDACTED] Shares of par value of US$0.0000002 each to be issued under the [REDACTED]	[REDACTED]
[REDACTED] Shares of par value of US$0.0000002 in total	[REDACTED]

(1) Divided into 26,228,430 Class A Ordinary Shares of par value of US$0.000002 each and 24,942,393,480 Class B Ordinary Shares of par value of US$0.000002 each.

(2) Divided into 6,250,000 series pre-A preferred shares of our Company of par value of US$0.000002 each, 8,523,150 series A-1 preferred shares of our Company of par value of US$0.000002 each, 1,047,300 series A-2 preferred shares of par value of US$0.000002 each, 10,947,050 series B preferred shares of par value of US$0.000002 each, 4,029,606 series B+ preferred shares of par value of US$0.000002 each and 580,984 series C preferred shares of our Company of par value of US$0.000002 each.

(3) Divided into 26,228,430 Class A Ordinary Shares of par value of US$0.000002 each and 62,076,115 Class B Ordinary Shares of par value of US$0.000002 each.

(4) The above table assumes that (1) the [REDACTED] becomes unconditional and the Shares are issued pursuant to the [REDACTED]; (2) the 2018 Share Subdivision and the 2018 Re-designation are completed; (3) the [REDACTED] is not exercised; and (4) no option to be granted under the Post-[REDACTED] Share Option Scheme is exercised. The above table also does not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

(5) On the basis that each of the Preferred Share and Ordinary Share is re-designated into one Share, respectively, with effective from the completion of the [REDACTED].

RANKING

The [REDACTED] are ordinary shares in the share capital of our Company and upon completion of the [REDACTED], the 2018 Share Subdivision and the 2018 Share Re-designation, the [REDACTED] will rank *pari passu* in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

After completion of the [REDACTED], our Company will have only one class of Shares, namely ordinary shares, and each ranks pari passu with the other Shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (1) increase its capital; (2) consolidate and divide its capital into shares of larger amount; (3) divide its shares into several classes; (4) subdivide its shares into shares of smaller amount; and (5) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Law reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. See "Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital" for details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the [REDACTED] (excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and the options that may be granted under the Post-[REDACTED] Share Option Scheme); and

- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed "— General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See "Appendix IV — Statutory and General Information — A. Further Information about Our Company — 3. Written resolutions of the Shareholders of our Company passed on [●]" for further details.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [REDACTED] (excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and the options granted under the Post-[REDACTED] Share Option Scheme).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are [REDACTED] (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of the Shareholders of our Company dated [●]".

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

See "Appendix IV — Statutory and General Information — A. Further Information about Our Company — 3. Written resolutions of the Shareholders of our Company passed on [●]" for further details.

2016 SHARE INCENTIVE SCHEME

We have adopted a share option scheme on January 6, 2016, which was amended, restated replaced with a restricted share unit scheme on May 24, 2018. We have granted certain RSUs under the RSU Scheme. See "Appendix IV — Statutory and General Information — D. Share Incentive Schemes — 1. 2016 Share Incentive Scheme" for details.

POST-[REDACTED] SHARE OPTION SCHEME

We have conditionally adopted the Post-[REDACTED] Share Option Scheme on [●]. See "Appendix IV — Statutory and General Information — D. Share Incentive Schemes — 2. Post-[REDACTED] Share Option Scheme" for details.

SUBSTANTIAL SHAREHOLDERS

Each of the following persons will, immediately following completion of the [REDACTED] (taking into no account of any Shares which may be issued upon the exercise of the [REDACTED] or share options that may be granted under the Post-[REDACTED] Share Option Scheme), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member(s) of our Company:

Long positions in our Company

		As of the Latest Practicable Date[(1)(2)]		Approximate percentage of shareholding immediately after completion of the [REDACTED] (Assuming no exercise of [REDACTED] and taking into no account of any Shares to be issued upon exercise of any option that may be granted pursuant to the Post-[REDACTED] Share Option Scheme)[(1)]	
Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage**	**Number of Shares**	**Approximate percentage**
Wanka Media Limited[(3)]	Beneficial Interest; interest held jointly with another person	47,508,280	39.70%	475,082,800(L)	[REDACTED]%
Mr. Gao[(3)]	Interest in a controlled corporation; interest held jointly	47,508,280	39.70%	475,082,800(L)	[REDACTED]%
Ms. LU Haiyan[(3)]	Interest of spouse	47,508,280	39.70%	475,082,800(L)	[REDACTED]%
Countryside Tech Inc.[(4)]	Beneficial Interest; interest held jointly with another person	47,508,280	39.70%	475,082,800(L)	[REDACTED]%
Mr. Zheng[(4)]	Interest in a controlled corporation; interest held jointly	47,508,280	39.70%	475,082,800(L)	[REDACTED]%
Ms. FENG Chun[(4)]	Interest of spouse	47,508,280	39.70%	475,082,800(L)	[REDACTED]%
Goodluckshome Inc.[(5)]	Beneficial interest	12,024,632	10.05%	120,246,320(L)	[REDACTED]%
Mr. HUA Xinjiang[(5)]	Interest in controlled corporation	12,024,632	10.05%	120,246,320(L)	[REDACTED]%
Ms. WANG Ying[(5)]	Interest of spouse	12,024,632	10.05%	120,246,320(L)	[REDACTED]%
Korea Investment Partners Co., Ltd.[(6)]	Interest in controlled corporation	10,539,143	8.81%	105,391,430(L)	[REDACTED]%
Korea Investment Holdings Co., Ltd.[(6)]	Interest in controlled corporation	10,539,143	8.81%	105,391,430(L)	[REDACTED]%
Mr. ZHU Jing[(7)]	Interest in controlled corporation	8,108,747	6.78%	81,087,470(L)	[REDACTED]%

(1) The letter "L" denotes the person's long position in the Shares. The number of Share as of the Latest Practicable Date are not adjusted for 2018 Share Subdivision.

(2) The Shares are not adjusted for the 2018 Share Subdivision.

(3) Mr. Gao is deemed to be interested in the entire interests upon the [REDACTED] held by (1) Wanka Media Limited, a company wholly owned by him; (2) Mr. Zheng and his wholly-owned company, being Countryside Tech Inc., as they are parties acting in concert; and (3) Ms. LU Haiyan, his spouse.

(4) Mr. Zheng is deemed to be interested in the entire interests upon the [REDACTED] held by (1) Countryside Tech Inc., a company wholly owned by him; (2) Mr. Gao and his wholly-owned company, being Wanka Media Limited, as they are parties acting in concert; and (3) Ms. FENG Chun, his spouse.

(5) Mr. HUA Xinjiang is deemed to be interested in the entire interests upon the [REDACTED] held by (1) Goodluckshome Inc., a company wholly-owned by him; and (2) Ms. WANG Ying, his spouse.

(6) The general partnership of both KIP Overseas and KIP Bright is Korea Investment Partners Co., Ltd., which is controlled by Korea Investment Holdings Co., Ltd. Therefore, Korea Investment Partners Co., Ltd. and Korea Investment Holdings Co., Ltd. is deemed to be interested in the entire interests upon the [REDACTED] held by KIP Overseas and KIP Bright, namely 99,331,500 and 6,059,930 Shares.

(7) As of the Latest Practicable Date, Mr. ZHU Jing is deemed to be interested in the entire interests upon the [REDACTED] held by (1) Shenshang VC, a company controlled by Mr. ZHU Jing and was interested in 2,841,050 Shares with par value of US$0.000002 each; (2) Richland, a company controlled by Richland Cayman Limited, which is ultimately controlled by Mr. ZHU Jing and was interested in 3,423,613 Shares with par value of US$0.000002 each; (3) Investnet, a company controlled by Mr. ZHU Jing and was interested in 1,263,100 Shares with par value of US$0.000002 each; and (4) Richforest, a company controlled by Mr. ZHU Jing and was interested in 580,984 Shares with par value of US$0.000002 each.

For details of the substantial shareholders who will, directly or indirectly, have interests in 10% or more of the nominal value of any class of share capital carring rights to vote in all circumstances at general meeting of any member of our Group other than our Company, see "Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders."

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the [REDACTED] (taking no account of any Shares which may be issued upon the exercise of the [REDACTED] or options that may be granted under the Post-[REDACTED] Share Option Scheme), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

You should read the following discussion in conjunction with the consolidated financial statements and the notes thereto included in the Accountants' Report set out in Appendix I to this document which have been prepared in accordance with HKFRS and the selected historical financial information and operating data included elsewhere in this document.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Forward-looking Statements" and "Risk Factors." In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.

OVERVIEW

We are an innovative technology company in the mobile Internet market, helping connect businesses from various industries to hundreds of millions of Android-based smartphone users in China. During the Track Record Period, we derived revenue from providing mobile advertising services.

We experienced significant growth in our business during the Track Record Period. Our revenue was RMB15.3 million, RMB40.6 million, and RMB485.6 million in 2015, 2016 and 2017, respectively. We incurred loss for the year of RMB16.2 million, RMB98.1 million and RMB145.1 million in 2015, 2016 and 2017, respectively. Our adjusted EBITDA was negative RMB12.5 million, negative RMB27.6 million, and RMB17.4 million in 2015, 2016 and 2017, respectively. Our adjusted net loss was RMB12.6 million and RMB29.7 million in 2015 and 2016, and our adjusted net profit was RMB7.5 million in 2017. See "— Non-HKFRS Measures" for details.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA.

The historical financial information has been prepared under the historical cost convention, except for preferred shares, warrants and financial assets designated as at fair value through profit or loss, which have been measured at fair value.

The financial information contained herein is presented in Renminbi, which is the functional currency of our PRC operating subsidiaries.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial condition and results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

General Factors

Market conditions in China

Our results of operations and financial condition are affected by general factors driving China's mobile advertising industry and smartphone industry, including levels of per capita disposable income, consumer spending in China, mobile internet usage and penetration rate, and consumer stickiness to smartphone device. For an overview of recent developments in market conditions in China, see "Industry Overview."

Role of China's Android-based smartphone manufacturers

According to the F&S Report, over the past decades, China's Android-based smartphone manufacturers experienced a decline of profit margin on sales of devices as the competition intensifies. Accordingly, the smartphone manufacturers have taken up a more proactive role in maximizing their post-sale monetization potential to grow their business. As such, the software installed in the smartphones and the post-sale services offered by smartphone manufacturers become increasingly critical and become differentiators among their industry peers. On the basis of such services, Android-based smartphone manufacturers now develop and invest heavily in diversified Internet services, such as game operation, cloud computing services and data management, for user experience enhancement and user engagement and retention. The evolving role of smartphone manufacturers, as our key business partners in our ecosystem, is instrumental to the development of the China's smartphone market, and in turn, the success of our business model.

Specific Factors

Our ability to develop and foster our ecosystem

Our growth depends on our ability to foster our ecosystem, expand our content distribution channels and create more value propositions to the ecosystem participants. Our Android-based mobile ecosystem is an innovative business initiative which is a relatively new phenomenon in China driven by our technologies and the growing prevalence of mobile devices and mobile apps. Accordingly, we believe the reception of our ecosystem by our customers is instrumental to our success. To sustain and improve our ecosystem, we will continue to develop and improve our ecosystem by attracting new smartphone manufacturers to bolster our distribution channels and expand our service offerings to create different value propositions to marketers and mobile app developers.

Our relationships with smartphone manufacturers and other content distribution partners

We enjoy close business relationships with MHA members and other major Android-based smartphone manufacturers in China, which supply us advertisement distribution channels. We also collaborate with other non-smartphone manufacturer suppliers in order to diversify our sources of distribution channels. As a result, our stable working relationships with both smartphone manufacturers and other suppliers are critical to our ability to maintain a steady source of distribution channels through which we place advertisements and generate revenues.

Our relationships with such distribution channels also directly affect our cost of sales. In 2015, 2016 and 2017, the distribution fees we incurred were RMB15.2 million, RMB36.4 million and RMB425.4 million, respectively, accounting for 88.9%, 67.0% and 96.8% of our cost of sales, respectively. Our relationships with these smartphone manufacturers and other suppliers affect our ability to control our distribution fees. To illustrate the financial impact of the distribution fee, the following table sets forth a sensitivity analysis of our profit/loss for the year ended December 31, 2017 to the increase, decrease of the distribution fee by 10%, 20% and 30%.

% charge in distribution fee	-30%	-20%	-10%	+10%	+20%	+30%
Impact on profit/loss for the year ended December 31, 2017 (RMB in thousands)	127,605	85,070	42,535	(42,535)	(85,070)	(127,605)

Our ability to retain existing customers and attract new ones from more industries

We generate revenue directly from marketers that seek advertising channels. We charge our marketer customers for placement of their advertisement onto the native apps and user interface of smartphone devices. Therefore, our ability to retain our existing customers and our ability to attract new marketer customers, including those from industries we have not yet served, such as financial technology industry, is critical to our results of operations.

Our ability to maintain and increase the current revenue volume

Our revenue depends on unit costs we are able to charge marketers. We believe the key to ensure their continued willingness to accept their current budget or potential budget increase is to improve our advertising distribution efficiency and to bring more high-quality user traffic to our marketer customers.

Our ability to attract talents and invest in technology and infrastructure

We operate in a competitive market. We have dedicated, and will continue to dedicate significant investments in talents, technology and infrastructure to maintain our competitive advantages over our industry peers. We also intend to invest more in research and development, expand our service offerings, broaden our distribution channels, attract and retain talents which we believe are critical for our business, operations and growth prospects.

In particular, our performance is significantly dependent on our ability to strengthen artificial intelligence and data analytics capabilities which help our marketer customers to achieve more precise audience targeting and enables us to retain them and increase their marketing spending. Furthermore, it helps us make better decisions about which content distribution opportunities to bid for and at which price. Our ability to strengthen technological capabilities enables us to extend our data application process to capitalize on more growth opportunities.

Our ability to enhance our brand recognition

We were founded in November 2014 and may not be widely recognized in the market. Accordingly, we have a dedicated sales team consisting of sales personnel with extensive experience in the China's Internet and mobile technology industries. As part of our marketing strategies to promote our brand and services, our sales team arranges various offline promotional activities, such as organizing marketing and networking events together with the MHA and the QAA. As we continue to expand our footprint, our sales team and brand promotion expenses may continue to increase in the near future.

Our ability to manage working capital

Our ability to control our working capital effectively affects our cash flow from operations. In 2015, 2016 and 2017, we recorded a negative operating cashflow of RMB13.0 million, RMB16.2 million and RMB174.8 million, respectively, as we were in the early years in shaping our business models and required significant input of resources to ramp up our operations. We will continue to actively manage our trade receivables for provision of services and our trade payables for services from our suppliers, and leverage our market position to negotiate favorable contractual terms with our customers and suppliers.

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND ASSUMPTIONS

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our significant accounting policies involve subjective assumptions and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set forth in detail in the Accountants' Report set out in Appendix I to this document.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Revenue Recognition

We use a variety of pricing models, and our revenue is recognized over the period during which the related services are delivered to our customers according to specific terms of the contracts. We charge customers based on completion percentage of our customers' marketing budgets, if such budgets exist according to our business contracts with them.

We deliver advertising services on third-party advertising distribution channels and evaluate whether we are the principal (i.e., report revenues on a gross basis) or agent (i.e., report revenues on a net basis). Generally, we recognize advertising revenues for advertising placed on third-party distribution channels on a gross basis, which means the amounts billed to our customers are recorded as revenues, and amounts paid to third-party distribution channels are recorded as cost of sales.

Share-based Compensation Scheme

We operate a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our employees, including executive and non-executive Directors, receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, as determined by an external valuer using a binomial model. For further details, see Note 28 in part II of the Accountants' Report set out in Appendix I to this document.

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

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

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

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

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

Financial Liabilities

Convertible bonds. On issuance of convertible bonds, we determine the fair value of the liability component using a market rate for an equivalent non-convertible bond. We accounted for the liability component on the amortized cost basis subsequently until extinguish on conversion or redemption. We allocate the remainder of the proceeds to the conversion option which we recognized and included in shareholders' equity, net of transaction costs, if any. We do not remeasure the carrying amount of the conversion option in subsequent years. We apportion transaction costs (if any) between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when we first recognize the instrument.

Preferred shares. Preferred shares we issued are redeemable upon the occurrence of certain future events and at the option of the holders. Holders may convert this instrument into ordinary shares at any time at the option of the holders or automatically converted into ordinary shares upon the occurrence of an [REDACTED] or agreed by majority of the holders. For details, see Note 25 in part II of the Accountants' Report set out in Appendix I to this document.

We designated the preferred shares as financial liabilities at fair value through profit or loss. We initially recognize it at fair value. We recognize transaction costs that are directly attributable as expenses in the statements of profit or loss. Subsequent to initial recognition, we carry the preferred shares at fair value with changes in fair value recognized in the statements of profit or loss.

SEGMENT INFORMATION

During the Track Record Period, we operated in a single business segment as the revenue and profit were derived from mobile advertising services. Accordingly, no segment information is presented in this document.

DESCRIPTION OF MAJOR COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following is a summary of the consolidated statements of profit or loss of our Group for 2015, 2016 and 2017, as extracted from the Accountants' Report set out in Appendix I to this document.

	Year ended December 31,		
	2015	2016	2017
	(RMB in thousands except par-share data)		
REVENUE	15,295	40,552	485,636
Cost of sales	(17,045)	(54,358)	(439,638)
Gross profit/(loss)	(1,750)	(13,806)	45,998
Other income and gains	1,017	2,133	961
Selling and distribution expenses	(1,142)	(2,017)	(5,712)
Research and development cost	(7,017)	(10,189)	(15,866)
Administrative expenses	(3,709)	(4,056)	(8,665)
Other expenses and losses	(5)	(32)	(1,976)
Share-based payment expenses	(502)	(28,297)	(1,866)
OPERATING PROFIT/(LOSS)	(13,108)	(56,264)	12,874
Finance costs	—	(1,710)	(3,528)
Fair value losses on preferred shares	(3,053)	(35,405)	(134,443)
Fair value losses of warrants	—	(4,748)	(16,239)
LOSS BEFORE TAX	(16,161)	(98,127)	(141,336)
Income tax expense	—	—	(3,758)
LOSS FOR THE YEAR	(16,161)	(98,127)	(145,094)
Add:			
Depreciation	112	363	443
Amortization of intangible assets	—	—	2,239
Finance cost	—	1,710	3,528
Income tax	—	—	3,758
Share-based payment expenses	502	28,297	1,866
Fair value losses on preferred shares	3,053	35,405	134,443
Fair value losses of warrants	—	4,748	16,239
Adjusted EBITDA for the year (unaudited)[(1)]	(12,494)	(27,604)	17,422
Loss for the year	(16,161)	(98,127)	(145,094)
Add:			
Share-based compensation	502	28,297	1,866
Fair value losses on preferred shares	3,053	35,405	134,443
Fair value losses of warrants	—	4,748	16,239
Adjusted net profit/(loss) (unaudited)	(12,606)	(29,677)	7,454

(1) Adjusted EBITDA eliminates the effect of interest income and expense, tax expenses, depreciation expenses, amortization expense, share-based compensation, and fair value losses on financial instruments. The term of adjusted EBITDA is not defined under HKFRS. The use of adjusted EBITDA has material limitations as an analytical tool, as it does not include all items that impact our net profit or loss for the year. We compensate for these limitations by reconciling this financial measure to the nearest HKFRS performance measure, which should be considered when evaluating our performance. See "—Non-HKFRS Measures."

Revenue

During the Track Record Period, we generated revenue from mobile advertising services in China. We offer a variety of advertising formats across our distribution channels, including app store search ads, in-feed native ads, banner ads, interstitial ads and splash screen ads, to suit our customers' specific needs. We also utilize a combination of pricing models. Our revenue is recognized when our advertising services are delivered based on specific terms of the service contracts, which are commonly based on specified actions such as CPM, CPC, CPA, CPS and CPD, depending on our customers' preferences and their campaigns launched. We report advertising revenue for ads placed on our distribution channels on a gross basis. In 2015, 2016 and 2017, our revenue was RMB15.3 million, RMB40.6 million, and RMB485.6 million, respectively. The following table sets forth a breakdown of our revenue by source for the periods indicated:

	Year ended December 31,					
	2015		2016		2017	
	(RMB in thousands except percentage)					
Mobile game distribution	—	—	10,005	24.7%	267,352	55.1%
Mobile app distribution	15,295	100.0%	30,547	75.3%	218,284	44.9%
Total	15,295	100.0%	40,552	100.0%	485,636	100.0%

The significant increase in our revenue during the Track Record Period, especially from 2016 to 2017, was primarily due to the increase in the number of mobile apps and mobile games from our customers. We offer our customers advertising services resulting from the mass monetization of our business model and our marketing efforts. In 2015, 2016 and 2017, the number of mobile apps and mobile games of our customers in respect of which we offered advertising services was five, 977 and 2,817, respectively.

Our revenue generated from distribution of mobile games increased significantly throughout the Track Record Period. The increase is because we expanded the number of mobile games we marketed and obtained new mobile game distribution channels from smartphone manufacturers, especially from the MHA members. Our revenue from mobile app distribution increased over the Track Record Period because we had been actively expanding our advertisement distribution channels for mobile apps and increased the number of mobile apps we marketed.

Cost of Sales

Our cost of sales primarily consists of distribution fees, which are expenses to our distribution channels, including smartphone manufacturers and other distribution channels, in order to place

advertisement from marketers onto the distribution channels. Our distribution fees were RMB15.2 million, RMB36.4 million and RMB425.4 million in 2015, 2016 and 2017, respectively. Our cost of sales also includes labor cost, which represents the salaries and related compensations we paid to employees who worked on the execution of advertisement placement. Our labor cost increased from RMB1.7 million in 2015 to RMB3.6 million in 2017 as the headcount of such employees increased from 21 as of December 31, 2015 to 49 as of December 31, 2017.

In 2016 and 2017, we recorded other expenses of RMB13.8 million and RMB9.6 million as cost of sales. We issued shares to Gionee, Coolpad, Lenovo and Meizu at discounted price and entered into cooperation agreements with such smartphone manufacturers in relation to their distribution channels. For details, see "Our History and Development — Pre-[REDACTED] Investments." We recognized the price difference between the consideration we paid and the fair value of these shares as (1) cost of sales in the year of share issuance; or (2) intangible assets, which we amortize over three years, being the duration of such cooperation agreements.

The following table sets forth a breakdown of the components of our cost of sales in absolute amount and the corresponding percentage of revenue for the periods indicated:

	Year ended December 31,					
	2015		2016		2017	
	(RMB in thousands except percentage of revenue)					
Distribution fees	15,161	99.1%	36,412	89.8%	425,350	87.6%
Labor cost	1,677	11.0%	3,276	8.1%	3,588	0.7%
Server rental expenses	206	1.3%	558	1.4%	785	0.2%
Server depreciation expense	1	0.0%	300	0.7%	364	0.1%
Other expenses	—	—	13,812	34.1%	9,551	2.0%
Total	17,045	111.4%	54,358	134.0%	439,638	90.5%

Gross Profit/Loss and Gross Profit/(Loss) Margin

Gross profit or loss represents our revenue less cost of sales. Our gross profit or loss margin represents our gross profit or loss as a percentage of our revenue. In 2015 and 2016, our gross loss was RMB1.8 million and RMB13.8 million, respectively, representing a gross loss margin of 11.4% and 34.0%, and our gross profit in 2017 was RMB46.0 million, representing a gross profit margin of 9.5%.

As we are a company with limited operating history and our business model is relatively new to the market, our gross profit or loss margin fluctuated during the Track Record Period. In 2015 and 2016, we ramped up our operations and experienced gross losses. As we expanded our operation in 2017 we were able to record a gross profit margin due to economies of scale.

Other Income and Gains

During the Track Record Period, we had other income and gains primarily from conference service for marketing purposes. As a new business initiative, we host certain public events, such as

the Black Stone Award and various other events in connection with the MHA for promotion of our services. Our net income and gains from conference service in 2015, 2016 and 2017 was RMB0.9 million, RMB1.4 million and RMB0.9 million, respectively.

Selling Expenses

Selling expenses were RMB1.1 million, RMB2.0 million and RMB5.7 million in 2015, 2016 and 2017, respectively. Selling expenses primarily consist of sales employee salaries and related benefit expenses, traveling costs, conference costs and marketing expenses. As of December 31, 2015, 2016 and 2017, we had nine, 11 and 39 sales employees, respectively. Our selling expenses increased during the Track Record Period in line with our revenue growth. The following table sets forth a breakdown of our selling expenses in absolute amount and the corresponding percentage of revenue for the periods indicated:

	Year ended December 31,					
	2015		2016		2017	
	(RMB in thousands except percentage of revenue)					
Employee cost	654	4.3%	1,483	3.7%	4,089	0.8%
Other expense	488	3.2%	534	1.4%	1,623	0.3%
Total	1,142	7.5%	2,017	5.0%	5,712	1.2%

Research and Development Cost

Research and development cost was RMB7.0 million, RMB10.2 million and RMB15.9 million in 2015, 2016 and 2017, respectively. Research and development cost primarily consists of fees paid to third-party consulting service providers and employee salaries and related benefit expenses. Our research and development cost increased during the Track Record Period as we recruited more research and development employees to bolster and refine our data analysis capabilities. The following table sets forth a breakdown of our research and development cost in absolute amount and the corresponding percentage of revenue for the periods indicated:

	Year ended December 31,					
	2015		2016		2017	
	(RMB in thousands except percentage of revenue)					
Technical consulting fees	5,797	37.9%	7,144	17.6%	7,316	1.5%
Employee expense	1,220	8.0%	3,041	7.5%	5,634	1.2%
Server related expense	—	—	4	0.0%	2,916	0.6%
Total	7,017	45.9%	10,189	25.1%	15,866	3.3%

We utilize our own employees and engage third-party technical consultants for research and development work. Contracts with technical consultants typically provide that we own the intellectual

property rights developed by these consultants. The technical consulting fees as a percentage of total research and development cost decreased from 82.6% in 2015 to 70.1% in 2016 and further to 46.1% in 2017.

Administrative Expenses

Administrative expenses were RMB3.7 million, RMB4.1 million and RMB8.7 million in 2015, 2016 and 2017, respectively. Our administrative expenses as a percentage of revenue decreased from 24.2% in 2015 to 10.0% in 2016 and further to 1.8% in 2017. Our administrative expenses primarily include expenses related to our offices and administrative staff. Due to our increased operational and administrative efficiency, we were able to significantly improve our revenues without incurring the same rate of increase in our administrative expenses. The following table sets forth a breakdown of the components of our administrative expenses in absolute amount and the corresponding percentage of revenue for the periods indicated:

	Year ended December 31,					
	2015		2016		2017	
	(RMB in thousands except percentage of revenue)					
Employee expense	1,218	8.0%	1,552	3.8%	3,385	0.7%
Rental expense	1,042	6.8%	1,078	2.7%	2,227	0.5%
Professional service expense	999	6.5%	881	2.2%	1,758	0.4%
Others	450	2.9%	545	1.3%	1,295	0.3%
Total	3,709	24.2%	4,056	10.0%	8,665	1.8%

Other Expenses and Losses

Our other expenses and losses primarily consist of exchanage rate loss and amounted to RMB5,000, RMB32,000 and RMB2.0 million in 2015, 2016 and 2017, respectively.

Share-based Payment Expenses

We issued RSUs in accordance with our 2016 Share Incentive Scheme for the purpose of providing incentives and rewards to eligible participants, which include our directors and certain employees. Participants who are our employees received the RSUs in the form of share-based payments for their services rendered as consideration for the RSUs. The share-based expenses are measured by reference to the fair value at the date at which they were granted. Our share-based payment expenses were RMB0.5 million, RMB1.3 million and RMB1.9 million in 2015, 2016 and 2017, respectively, under the 2016 Share Incentive Scheme.

In addition, in March 2016, Mr. Gao transferred shares to one of our Directors at a price lower than the fair value by RMB27.0 million. We offered the discount in exchange for such Director's service, and therefore recognized it as share-based payment expenses.

Fair Value Losses on Preferred Shares and Warrants

Our fair value losses on preferred shares and warrants were RMB3.1 million, RMB40.2 million and RMB150.7 million in 2015, 2016 and 2017, respectively. We issued preferred shares and warrants during the Track Record Period to our investors as the Pre-[REDACTED] Investments. We record preferred shares and warrants as liabilities. The fair values of preferred shares and warrants as of the end of each year were valued by a third-party valuer using enterprise value allocation model based on the estimated underlying equity value of our Group. The underlying equity value of our Group is valued using the discounted cashflow method. We measure the preferred Shares and warrants at fair value on initial recognition and subsequently recognize losses if its fair value increases in the periods following the issuance.

Taxation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Island and accordingly is not subject to income tax. No provision for Hong Kong profits tax has been made as our Group had no assessable profits derived from or earned in Hong Kong during the Track Record Period. Pursuant to the PRC Income Tax Law and the respective regulations, the companies of our Group which operate in the PRC are subject to Enterprise Income Tax at a rate of 25% on their taxable income.

According to the relevant laws and regulations by the State Administration of Taxation of the PRC, some of our subsidiaries enjoyed preferential tax treatments, such as preferential tax treatments for software business during the Track Record Period.

We incurred net loss in 2015, 2016 and 2017. However, one of our subsidiaries, Wanka Hainan, was profit-making and incurred tax expenses in 2017.

As of the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

NON-HKFRS MEASURES

To supplement our consolidated financial statements which are presented under HKFRS, we also use adjusted EBITDA and adjusted net profit/loss as additional financial measures, which are not required by, or presented in accordance with HKFRS. We believe that these non-HKFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management do not consider indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help

our management. However, our presentation of the adjusted EBITDA and adjusted net profit/loss may not be comparable to a similarly titled measure presented by other companies. The use of these non-HKFRS measures have limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRS.

We define adjusted EBITDA as losses for the year without considering depreciation, amortization, share-based payment expenses and fair value losses on preferred shares and warrants. We define adjusted net profit/loss as loss for the year without considering share-based compensation and fair value losses on preferred shares and warrants. The following tables reconcile our adjusted EBITDA and adjusted net profit/loss for the years presented to the most directly comparable financial measure calculated and presented under HKFRS, which is loss for the year:

	Year ended December 31,		
	2015	2016	2017
	(RMB in thousands)		
Loss for the year	(16,161)	(98,127)	(145,094)
Add:			
Depreciation	112	363	443
Amortization of intangible assets	—	—	2,239
Finance cost	—	1,710	3,528
Income tax	—	—	3,758
Share-based payment expenses	502	28,297	1,866
Fair value losses on preferred shares	3,053	35,405	134,443
Fair value losses of warrants	—	4,748	16,239
Adjusted EBITDA for the year (unaudited)	(12,494)	(27,604)	17,422

	Year ended December 31,		
	2015	2016	2017
	(RMB in thousands)		
Loss for the year	(16,161)	(98,127)	(145,094)
Add:			
Share-based compensation	502	28,297	1,866
Fair value losses on preferred shares	3,053	35,405	134,443
Fair value losses of warrants	—	4,748	16,239
Adjusted net profit/(loss) (unaudited)	(12,606)	(29,677)	7,454

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2017 Compared to Year ended December 31, 2016

Revenue

Our revenue increased significantly from RMB40.6 million in 2016 to RMB485.6 million in 2017. This increase in our revenue directly correlates with the increase in the number of mobile apps and mobile games we advertised. Leveraging the relationships we had established with smartphone manufacturers and other suppliers of distribution channels, we were able to expand the number of mobile apps and mobile games we helped market from 977 in 2016 to 2,817 in 2017.

Cost of Sales

Our cost of sales increased significantly from RMB54.4 million in 2016 to RMB439.6 million in 2017. This increase was primarily driven by an increase in distribution fees to our distribution channels from RMB36.4 million in 2016 to RMB425.4 million in 2017, which is in line with the substantial increase in our revenue from 2016 to 2017.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

As a result of the foregoing, we recorded a gross loss of RMB13.8 million in 2016 which changed to a gross profit of RMB46.0 million in 2017. We generated gross profit in 2017 because our business model gained further recognition and we enjoyed economies of scale as we expanded the number of mobile apps and mobile games we advertised.

Other Income and Gains

Our other income and gains decreased by 54.9% from RMB2.1 million in 2016 to RMB1.0 million in 2017, primarily due to a decrease in our conference service income from RMB1.4 million in 2016 to RMB0.9 million in 2017.

Selling and Distribution Expenses

Our selling and distribution expenses increased significantly from RMB2.0 million in 2016 to RMB5.7 million in 2017, primarily due to an increase in salaries and related expenses from RMB1.5 million to RMB4.1 million, as a result of the increase in the number of sales personnel. Our sales employees increased by 28 in 2017 as part of our efforts to improve marketer satisfactions, reach new marketers and promote our services.

Research and Development Cost

Our research and development cost increased by 55.7% from RMB10.2 million in 2016 to RMB15.9 million in 2017 primarily due to an increase in the number of research and development personnel and the resulting increase in compensation expenses and benefit expenses. Our research and development headcount increased from 27 in 2016 to 62 in 2017.

Administrative Expenses

Our administrative expenses increased significantly from RMB4.1 million in 2016 to RMB8.7 million in 2017. Our administrative expenses as a percentage of revenue decreased from 10.0% in 2016 to 1.8% in 2017, primarily due to our increased operational and administrative efficiency.

Share-based Payment Expenses

Our share-based payment expenses decreased significantly from RMB28.3 million in 2016 to RMB1.9 million in 2017, primarily due to a one-off recognition of share-based compensation expense in 2016 when Mr. Gao transferred his shares in Wanka Media Limited to one of our Directors at a discount of RMB27.0 million. See "Our History and Development — Major Shareholding Changes of Our Company, Re-Designation of Shares and Share Subdivisions."

Operating Profit/(Loss)

As a result of the foregoing, our operating loss was RMB56.3 million in 2016 and our operating profit was RMB12.9 million in 2017.

Fair Value Losses on Preferred Shares and Warrants

Our fair value losses on preferred shares and warrants increased significantly from RMB40.2 million in 2016 to RMB150.7 million in 2017, primarily due to the increased fair value of these financial instruments in 2017 compared to 2016 as our valuation grew.

Loss before Taxation

As a result of the foregoing, our loss before tax was RMB98.1 million and RMB141.3 million in 2016 and 2017, respectively.

Taxation

We did not incur any income tax expense in 2016. Our income tax expenses was RMB3.8 million in 2017 resulting from Wanka Hainan's profit in 2017.

Loss for the Year

As a result of the foregoing, our loss for the year was RMB98.1 million and RMB145.1 million in 2016 and 2017, respectively.

Year ended December 31, 2016 Compared to Year ended December 31, 2015

Revenue

Our revenue increased significantly from RMB15.3 million in 2015 to RMB40.6 million in 2016 as we distributed more mobile apps and mobile games through our suppliers' distribution channels.

Cost of Sales

Our cost of sales increased significantly from RMB17.0 million in 2015 to RMB54.4 million in 2016, which is in line with our increase in revenue. In 2016, we also incurred RMB13.8 million of cost of sales relating to the Pre-[REDACTED] Investments from Gionee, Coolpad and Lenovo.

Gross Loss

As a result of the foregoing, our gross loss was RMB1.8 million and RMB13.8 million in 2015 and 2016, respectively.

Other Income and Gains

Our other income and gains increased by 23.2% from RMB1.0 million in 2015 to RMB2.1 million in 2016. Our primary source of other income and gains in 2015 and 2016 was conference service income in connection with the events we organized for the MHA such as the "Black Stone Award" banquet.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 81.8% from RMB1.1 million in 2015 to RMB2.0 million in 2016, primarily due to an increase in the number of sales personnel from nine in 2015 to 11 in 2016 and the increased compensation level paid to our sales employees.

Research and Development Cost

Our research and development cost increased by 45.2% from RMB7.0 million in 2015 to RMB10.2 million in 2016 primarily due to an increase in the number of research and development employees from 27 in 2016 to 62 in 2017 and an increase in technical consulting fees paid to third-parties of RMB1.3 million.

Administrative Expenses

Our administrative expenses increased by 9.4% from RMB3.7 million in 2015 to RMB4.1 million in 2016 primarily due to an increase in the number of administrative personnel.

Share-based Payment Expenses

Our share-based payment expenses increased significantly from RMB0.5 million in 2015 to RMB28.3 million in 2016. In March 2016, Mr. Gao transferred his shares in Wanka Media Limited to one of our Directors at a price lower than the fair value by RMB27.0 million. We offered the discount in exchange for this Director's service and recognized it as share-based payment expenses. See "Our History and Development — Major Shareholding Changes of Our Company, Re-Designation of Shares and Share Subdivisions."

Operating Loss

As a result of the foregoing, we incurred operating loss of RMB13.1 million and RMB56.3 million in 2015 and 2016, respectively.

Fair Value Losses on Preferred Shares and Warrants

In 2015 and 2016, we had fair value losses on preferred shares and warrants of RMB3.1 million and RMB40.2 million, respectively. This increase of losses is primarily due to an increase in fair value of the preferred shares and warrants in 2016 as our valuation grew.

Loss for the Year

As a result of the foregoing, we incurred loss for the year of RMB16.2 million and RMB98.1 million in 2015 and 2016, respectively.

DISCUSSION OF CERTAIN ITEMS FROM THE CONSOLIDATED BALANCE SHEET

The following table sets forth a summary consolidated balance sheet of our Group as of the dates indicated:

	As of December 31,		
	2015	2016	2017
	(RMB in thousands)		
NON-CURRENT ASSETS			
Property, plant and equipment	622	912	667
Intangible assets	—	—	17,913
Goodwill	—	448	448
Deferred tax assets	—	—	—
Prepayments	—	—	18,868
Total non-current assets	622	1,360	37,896
CURRENT ASSETS			
Accounts receivable	5,032	16,316	182,608
Prepayments, deposits and other receivables	384	812	93,717
Financial assets at fair value through profit or loss	20,000	9,500	—
Cash and bank	13,495	8,157	11,490
Total current assets	38,911	34,785	287,815
CURRENT LIABILITIES			
Accounts payable	4,947	13,879	52,576
Other payables	17,118	2,560	31,931
Advance from customers	280	209	12,302
Interest-bearing bank borrowings	—	—	10,000
Convertible bonds	—	13,950	25,297
Income tax payable	—	—	3,752
Total current liabilities	22,345	30,598	135,858
NET CURRENT ASSETS	16,566	4,187	151,957
TOTAL ASSETS LESS CURRENT LIABILITIES	17,188	5,547	189,853
NON-CURRENT LIABILITIES			
Other payables	12,987	275	61,023
Preferred shares	9,427	64,667	259,944
Warrants	—	17,467	41,358
Total non-current liabilities	22,414	82,409	362,325
Net liabilities	(5,226)	(76,862)	(172,472)
EQUITY			
Equity attributable to owners of the parent			
Issued capital	—	—	—
Reserves	(5,540)	(76,696)	(172,472)
	(5,540)	(76,696)	(172,472)
Non-controlling interests	314	(166)	—
Deficiency in assets	(5,226)	(76,862)	(172,472)

Accounts Receivable

As of December 31, 2015, 2016 and 2017, our accounts receivable were RMB5.0 million, RMB16.3 million and RMB182.6 million, respectively. We offer certain major marketer customers a credit period from one to three months. The increase in accounts receivable during the Track Record Period is in line with the increase in our revenue from 2015 to 2017.

The following table sets forth our analysis of the accounts receivable as of the dates indicated:

	As of December 31,		
	2015	2016	2017
	(RMB in thousands)		
Neither past due nor impaired	5,032	16,316	182,608

As of April 30, 2018, we had collected 78.6% of our accounts receivable outstanding as of December 31, 2017.

The following table sets forth the receivable turnover days for the periods indicated:

	For the year ended December 31,		
	2015	2016	2017
Receivable turnover days[(1)]	N/A	96.1	74.8

(1) Receivable turnover days was calculated based on the average of opening and closing balance of accounts receivable for the relevant year, divided by the revenue for the same year, and multiplied by 365.

Our receivable turnover days declined from 96.1 days in 2016 to 74.8 days in 2017, primarily due to our improved management of our receivables.

Prepayments, Deposits and Other Receivables

We had prepayments, deposits and other receivables of RMB0.4 million, RMB0.8 million and RMB112.6 million as of December 31, 2015, 2016 and 2017, respectively. The following table sets forth the details of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		
	2015	2016	2017
	(RMB in thousands)		
Prepayments	230	415	75,667
Deposits and other receivables	154	397	4,247
Due from a Director	—	—	32,671
Total	384	812	112,585

We pay some of our distribution channel suppliers in advance. The increase in the volume of our advertisement distribution and the scale of our mobile advertising services contribute to the significant increase of prepayments from RMB0.4 million as of December 31, 2016 to RMB75.7 million as of December 31, 2017. Deposits and other receivables represent rental deposits in connection with the leasing of our real properties. Due from a Director represents a loan we made to Mr. Gao in 2017 in the amount of RMB32.7 million. As of the Latest Practicable Date, the remaining balance of this loan was RMB15.0 million and will be repaid prior to the [REDACTED].

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss represent our wealth management financial products which can be redeemed at any time. We purchased such products in the amount of RMB20.0 million in 2015. After redemptions, the balance was RMB9.5 million and nil as of December 31, 2016 and 2017, respectively.

Intangible Assets

Our intangible assets were RMB17.9 million as of December 31, 2017. Intangible assets arose out of our issuance of Shares to certain smartphone manufacturers at a discounted price in order to facilitate cooperation with these distribution channels. We record intangible assets based on valuation result, which is then amortized over three years.

Accounts Payable

We had accounts payable of RMB4.9 million, RMB13.9 million and RMB52.6 million as of December 31, 2015, 2016 and 2017, respectively. Our accounts payable increased in line with our expansion. As of December 31, 2015, 2016 and 2017, the amounts of accounts payable that are within one year was 100.0%, 99.3% and 99.7%, respectively. The accounts payable do not bear interests and are normally settled on sixty to ninety day terms.

The following table sets forth the payable turnover days for the periods indicated:

	For the year ended December 31,		
	2015	2016	2017
Payable turnover days[(1)]	N/A	63.2	27.6

(1) Payable turnover days was calculated based on the average of opening and closing balance of accounts payable for the relevant year, divided by the cost of sales for the same year, and multiplied by 365.

Our payable turnover days declined from 63.2 days in 2016 to 27.6 days in 2017, which indicates that we improved our management of cash flows and are able to pay off our accounts payable in a more efficient manner.

Other Payables

As of December 31, 2015, other payables were RMB17.1 million, which primarily reflect (1) our borrowing from Shenzhen Zhipu Century Investment Co., Ltd. (深圳致璞世紀投資有限公司) in the amount of RMB4 million which was settled in 2016 and from Shanghai Zhonglu Investment Management Center L.P. (上海中路投資管理中心(有限合伙)) in the amount of RMB12 million which was converted to convertible bonds in 2016, and (2) advance payment received from investors who subscribed to our preferred Shares in the amount of RMB13.0 million.

As of December 31, 2016, other payables were RMB2.6 million, which primarily include salaries payable to our employees in the amount of RMB1.8 million as we generally settle our employee salaries in the beginning of each month.

As of December 31, 2017, other payables were RMB81.9 million, primarily due to (1) advance payment received from our Pre-[REDACTED] Investors who subscribed to our preferred Shares in the amount of RMB60.5 million, and (2) a loan from Mr. Gao in the amount of RMB23.9 million. As of the Latest Practicable Date, the remaining balance of this loan is RMB22.6 million.

Advance from Customers

Our advance from customers represents the prepayment we receive from marketers. Depending on the terms of specific contracts with our customers, we may require them to maintain a prepaid balance with us. Our advance from customers increased significantly from RMB0.3 million as of December 31, 2015 to RMB12.3 million as of December 31, 2017, consistent with the significant increase in revenue from 2015 to 2017.

Interest-bearing Bank Borrowings

We incurred bank borrowings of RMB10.0 million in 2017, secured by property held by one of our Directors. The borrowing has been fully repaid as of the date of this document. See "— Indebtedness" for more details.

Convertible Bonds

Our convertible bond liability was nil, RMB14.0 million and RMB25.3 million as of December 31, 2015, 2016 and 2017, respectively. In 2016, Huanju Times issued to certain Pre-[REDACTED] Investors convertible loans in an aggregate principal amount of RMB24.0 million. In 2017, Huanju Times issued RMB17.2 million in convertible bonds to China Creation Ventures.

Preferred Shares

The preferred shares were valued at RMB9.4 million, RMB64.7 million and RMB259.9 million as of December 31, 2015, 2016 and 2017, respectively, representing the series Pre-A, series A-1, series A-2 and series B preferred shares we issued for our Pre-[REDACTED] Investments. Upon completion of this [REDACTED], all preferred shares will be converted into our Shares.

Warrants

As of December 31, 2015, 2016 and 2017, our warrants were nil, RMB17.5 million and RMB41.4 million, respectively. We measure warrants at fair value on initial recognition and subsequently adjust based on fair value and recognize the corresponding changes in fair value as gain or loss.

In January 2016, we issued warrants to Gionee to purchase our Class B Ordinary Shares, and to Shenshang VC and MIC to purchase our series A-1 preferred shares. In April 2017, we issued to China Creation Ventures warrants to purchase our series B preferred shares. As of the Latest Practicable Date, all warrants had been exercised. For details of our grants of warrants, such as grantees, grant dates and types, see Note 26 in part II of the Accountants' Report set out in Appendix I to this document.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

We have financed our operations primarily through cash generated from our operating activities and bank borrowings. Our primary uses of cash have been to fund working capital and other recurring expenses. Going forward, we believe that our liquidity requirements will be satisfied with a combination of cash flow generated from our operating activities, bank borrowings, other funds raised from the capital markets from time to time and the [REDACTED] from this [REDACTED].

The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,		
	2015	2016	2017
	(RMB in thousands)		
Net cash flows used in operating activities	(13,048)	(16,212)	(174,823)
Net cash flows (used in)/generated from investing activities	(20,710)	9,987	9,350
Net cash flows generated from financing activities	40,987	331	170,760
Net increase/(decrease) of cash and cash equivalents	7,229	(5,894)	5,287
Cash and cash equivalents at beginning of the year	6,181	13,495	8,157
Cash and cash equivalents at the end of the year	13,495	8,157	11,490

Net Cash Flows Used in Operating Activities

In 2015, our net cash flow used in operating activities was RMB13.0 million, primarily reflecting (1) RMB12.7 million of cash outflow from operating activities before working capital adjustments, (2) an increase of RMB5.0 million in accounts receivable, partially offset by an increase of RMB4.9 million in accounts payable.

In 2016, our net cash flow used in operating activities was RMB16.2 million, primarily reflecting (1) RMB14.5 million of cash outflow from operating activities before working capital adjustments, (2) an increase of RMB11.3 million in accounts receivable, partially offset by an increase of RMB8.8 million in accounts payable.

In 2017, our net cash flow used in operating activities was RMB174.8 million, primarily reflecting (1) RMB26.6 million of cash inflow from operating activities before working capital adjustments, (2) an increase of RMB166.3 million in accounts receivable, (3) an increase of RMB92.9 million in prepayments, deposits and other receivables, partially offset by (1) an increase of RMB38.7 million in accounts payable, and (2) an increase of RMB25.9 million in other payables.

Net Cash Flows from Investing Activities

In 2015, our cash flow used in investing activities was RMB20.7 million, of which RMB20 million resulted from our investment in certain wealth management products. In 2016 and 2017, our cash generated from investing activities was RMB10.0 million and RMB9.4 million, respectively, of which RMB10.5 million and RMB9.5 million resulted from our redemption of the RMB20 million investment in wealth management products in 2015.

Net Cash Flows from Financing Activities

In 2015, our cash flow generated from financing activities was RMB41.0 million. This primarily reflects (1) a loan of RMB4.0 million from Shenzhen Zhipu Century Investment Co., Ltd., (2) a loan of RMB12.0 million from Shanghai Zhonglu Investment Management Center L.P., (3) a RMB12.0 million capital injection from Shenshang VC, and (4) RMB13.0 million proceeds from issuance of preferred shares.

In 2016, our cash flow generated from in financing activities was less than RMB0.3 million. This primarily reflects the combined effects of the following transactions: (1) proceeds of RMB12.0 million from convertible bonds, (2) proceeds of RMB4.0 million from issuance of preferred shares, (3) repayment of RMB4.0 million loan from Shenzhen Zhipu Century Investment Co., Ltd., (4) withdrawal of RMB12 million investment in us by Shenzhen VC in 2016, and (5) capital injection of RMB0.3 million from a shareholder.

In 2017, our cash flow generated from financing activities was RMB170.8 million. This primarily reflects the following transactions: (1) we borrowed RMB10.0 million from a bank, (2) issuance and collection of preferred shares of RMB71.7 million, (3) receipt of advance payment from investors who subscribed to our preferred shares in the amount of RMB60.5 million, (4) borrowings of RMB3.5 million from our employees, including one of our Directors and certain senior management members, which we intend to repay before the [REDACTED], and (5) issuance of RMB17.2 million convertible bonds to China Creation Ventures, one of our Pre-[REDACTED] Investors.

Working Capital

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

	As of December 31,			As of April 30,
	2015	2016	2017	2018[1]
	(RMB in thousands)			
CURRENT ASSETS				
Accounts receivable	5,032	16,316	182,608	231,429
Prepayments, deposits and other receivables	384	812	93,717	116,691
Financial assets at fair value through profit or loss	20,000	9,500	—	—
Cash and bank	13,495	8,157	11,490	71,951
Total current assets	38,911	34,785	287,815	420,071
CURRENT LIABILITIES				
Accounts payable	4,947	13,879	52,576	61,094
Other payables	17,118	2,560	31,931	77,452
Advance from customers	280	209	12,302	14,316
Interest-bearing bank borrowings	—	—	10,000	18,000
Convertible bonds	—	13,950	25,297	26,630
Income tax payable	—	—	3,752	3,086
Total current liabilities	22,345	30,598	135,858	200,578
NET CURRENT ASSETS	16,566	4,187	151,957	219,493

(1) Because we acquired Target Group in 2018, we include its current assets and current liabilities in our calculation of our net current assets during 2018. For more details, see "Our History and Development — ChiLe Acquisition".

Our net current asset was RMB16.6 million, RMB4.2 million, RMB152.0 million and RMB219.5 million as of December 31, 2015, 2016, 2017 and April 30, 2018, respectively. The increase of net current asset of RMB67.5 million from December 31, 2017 to April 30, 2018 was primarily due to an increase of RMB48.8 million in accounts receivable as a result of our increased number of marketers and the scale of our mobile advertising services.

The increase of net current asset of RMB147.8 million from December 31, 2016 to December 31, 2017 was primarily due to an increase of RMB166.3 million in accounts receivable and RMB92.9 million in prepayments, deposits and other receivables. These increases resulted from our increased number of marketers and the scale of our mobile advertising services. This is partially offset by (1) an increase of RMB38.7 million in accounts payable as a result of the increased number of distribution channel suppliers and the increased volume of transactions we had with them, and (2) an increase of RMB12.1 million in advance from customers as a result of the increased number of advertising customers with which we often require prepayment before we offer them advertising services.

The decrease in net current asset of RMB12.4 million from December 31, 2015 to December 31, 2016 was primarily due to our issuance of convertible bonds in 2016 in the amount of RMB14.0 million.

During the Track Record Period, we met our working capital needs mainly from our cash and cash equivalents at bank or on hand and cash generated from operations. We manage our cash flow and working capital by closely monitoring and managing our operations. We also diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations. We generally maintained stable working capital position during the Track Record Period.

Working Capital Statement

Historically, we have financed our working capital needs primarily through a series of equity and debt financing transactions, and to a lesser extent, cash flow from operating activities. Taking into account the financial resources available to us, including the cash flow from operating activities, unutilized banking facilities and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that, after due and careful inquiry, our Group has sufficient available working capital for our present requirements for at least the next 12 months from the date of this document.

CAPITAL EXPENDITURES

Our capital expenditures have been primarily used for the purchase of servers. Our capital expenditures amounted to RMB0.7 million, RMB0.7 million and RMB0.2 million in 2015, 2016 and 2017, respectively.

CONTRACTUAL COMMITMENTS

Operating Leases

Our operating lease payments commitments represent rental payables for the premises leased for offices. These leases are negotiated for lease terms of five to 55 months. The following table sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	Year ended December 31,		
	2015	2016	2017
	(RMB in thousands)		
Within in one year	481	841	1,206
In the second to fifth year, inclusive	1,241	444	2,556
Total	1,722	1,285	3,762

ACQUISITION OF SHANGHAI CHILE

We acquired the Target Group in March 2018. The Target Group was primarily engaged in online-video distribution in China, the financial results of which is not included in our consolidated financial statements prepared for the Track Record Period. To facilitate our [REDACTED] to understand the financial performance of the Target Group during the Track Record Period, the following table is a summary of the major components of the consolidated financial statements of the Target Group:

	Year ended December 31,		
	2015	2016	2017
	(RMB in thousands)		
REVENUE	90,347	83,985	66,173
Cost of sales	(22,571)	(30,410)	(23,058)
Gross profit	67,776	53,575	43,115
Other income and gains	61	367	2,089
Selling and distribution expenses	(1,037)	(1,964)	(3,746)
Research and development costs	(5,969)	(5,417)	(2,690)
Administrative expenses	(1,705)	(4,547)	(7,924)
Other expenses and losses	(1)	—	(826)
PROFIT BEFORE TAX	59,125	42,014	30,018
Income tax expense	—	(4,939)	(4,757)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	59,125	37,075	25,261
Attributable to:			
Owners of the parent	59,125	37,075	25,261

During the Track Record Period, the Target Group's revenue decreased from RMB90.3 million in 2015 to RMB66.2 million in 2017. During the Track Record Period, the Target Group's gross profit declined from RMB67.8 million in 2015 to RMB43.1 million in 2017. The gross profit margin declined from 75.0% in 2015 to 65.2% in 2017. The Target Group's profit for the year and total comprehensive income for the year decreased by 57.3% from RMB59.1 million in 2015 to RMB25.3 million in 2017. The Target Group experienced decline in revenue and profit during the Track Record Period, primarily due to the increasing cost of obtaining user traffic. Despite that, with its years of experience in online-video distribution, the Target Group has accumulated operational capabilities in video content distribution and familiarity with the consumption habits of China's online-video viewer base. Leveraging our stable relationships with suppliers of user traffic and content distribution channels, we are well-positioned to integrate the operational know-hows of the Target Group in the field of online-video distribution, and expand our service offerings to marketers.

The following table is a summary of major components of the consolidated statements of financial position of the Target Group:

	As of December 31,		
	2015	2016	2017
	(RMB in thousands)		
NON-CURRENT ASSETS			
Property, plant and equipment	1,066	1,180	1,365
Intangible assets	—	—	8
Deferred tax assets	—	—	103
Total non-current assets	1,066	1,180	1,476
CURRENT ASSETS			
Accounts receivable	17,104	39,705	42,013
Prepayments, deposits and other receivables	36	24,176	17,434
Financial assets at fair value through profit or loss	—	8,000	—
Cash and bank balances	19,290	14,673	21,601
Total current assets	36,430	86,554	81,048
CURRENT LIABILITIES			
Accounts payable	1,548	9,421	8,761
Other payables and accruals	838	3,115	4,051
Income tax payable	1,662	4,675	4,628
Total current liabilities	4,048	17,211	17,440
NET CURRENT ASSETS	32,382	69,343	63,608
TOTAL ASSETS LESS CURRENT LIABILITIES	33,448	70,523	65,084
Net assets	33,448	70,523	65,084
EQUITY			
Share capital	20,000	20,000	20,000
Reserves	13,448	50,523	45,084
Total equity	33,448	70,523	65,084

The Target Group's current assets and current liabilities both experienced overall increases from RMB36.4 million and RMB4.0 million as of December 31, 2015 to RMB81.0 million and RMB17.4 million as of December 31, 2017. The Target Group's other receivables increased by RMB24.1 million from 2015 to 2016, primarily because the Target Group executed an inter-company transfer of funds in the amount of RMB24.5 million to its immediate holding company. After receiving partial repayment, the balance of that inter-company transfer reduced to RMB9.1 million as of December 31, 2017, and the overall prepayments, deposits and other receivables decreased from RMB24.2 million as of December 31, 2016 to RMB17.4 million as of December 31, 2017.

The Target Group's accounts payable increased from RMB1.5 million as of December 31, 2015 to RMB8.8 million as of December 31, 2017, primarily due to its receipt of invoices of certain large amounts shortly before balance sheet dates. Therefore, despite the increase in accounts payable, the entire amount of accounts payable throughout the Track Record Period was within one year.

INDEBTEDNESS

Our indebtedness during the Track Record Period mainly consisted of bank borrowings. The following table sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,
	2015	2016	2017	2018
		(RMB in thousands)		(unaudited)
Secured bank borrowing	—	—	10,000	18,000

Our secured bank loan from Huaxia Bank of RMB10.0 million as of December 31, 2017 and of RMB8.0 million incurred in 2018 were secured by the property held by our Director Mr. Zheng, and also guaranteed by Mr. Zheng, Mr. Gao and their respective spouses. Both loans had been repaid as of the date of this document.

The following table details the interest rate profile of our borrowings as of the dates indicated:

	As of December 31, 2017		
	Effective contractual interest rate (%)	Maturity	RMB'000
Current			
Bank loans — secured	6.786	2018	10,000

As of April 30, 2018, being the latest practicable date for the purpose of this indebtedness statement, our indebtedness was RMB18.0 million. During the Track Record Period and up to the Latest Practicable Date, we had not been in violation of any of the covenants pursuant to the applicable agreement we entered with our creditor with respect to the loan above. Our Directors confirm that we are not subject to other material covenants under any agreements with respect to any bank loans or other borrowings during the Track Record Period.

Apart from secured bank loans indicated above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, liabilities under acceptances, acceptance credits, finance leases or hire purchase commitments, guarantees or other contingent liabilities as of April 30, 2018, being our indebtedness statement date. We had no utilized banking facilities as of the date of this document.

Our Directors confirm that, as of the date of this document, there is no material change in the Company's indebtedness since April 30, 2018.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

[REDACTED] EXPENSES

We expect to incur a total of RMB[REDACTED] million of [REDACTED] expenses (assuming an [REDACTED] of HK$[REDACTED], being the mid-point of the indicative [REDACTED] range between HK$[REDACTED] and HK$[REDACTED], and assuming that the [REDACTED] is not exercised) until the completion of the [REDACTED], of which approximately RMB[REDACTED] million will be charged to the combined statements of profits or loss and RMB[REDACTED] million will be capitalized upon completion of the [REDACTED]. [REDACTED] expenses represent professional fees and other fees incurred in connection with the [REDACTED]. The [REDACTED] expenses above were the best estimate as at the Latest Practicable Date and were for reference only and the actual amount may differ from this estimate.

MATERIAL RELATED PARTY TRANSACTIONS

During 2015 and 2016, we did not enter into any related party transactions. In 2017, we had the following related party transactions:

- Mr. Gao loaned us RMB23.9 million. As of the Latest Practicable Date, the remaining balance of this loan was RMB22.6 million;

- we loaned to Mr. Gao RMB32.7 million. As of the Latest Practicable Date, the remaining balance of this loan was RMB15.0 million; and

- we borrowed RMB10.0 million from a commercial bank. The loan was secured by Mr. Zheng's property, and was personally guaranteed by Mr. Gao, Mr. Zheng and their respective spouses.

Our Directors confirms that the foregoing related party transactions were conducted on an arm's length basis and would not distort our results of operations during the Track Record Period.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated:

	As of/for the year ended December 31,		
	2015	2016	2017
Gross profit/loss margin[(1)]	(11.4%)	(34.0%)	9.5%
Net loss margin[(2)]	(105.7%)	(242.0%)	(29.9%)
Adjusted net profit/(loss) margin[(3)]	(82.4%)	(73.2%)	1.5%
Current ratio[(4)]	1.7	1.1	2.1
Return on total assets[(5)]	N/A	(259.3%)	(80.2%)

(1) Gross profit/loss margin was calculated based on our gross profit/loss for the relevant year divided by our total revenue for the same year.

(2) Net loss margin was calculated based on our loss for the relevant year divided by our total revenue for the same year.

(3) Adjusted net profit/(loss) margin was calculated based on our adjusted net profit or loss for the relevant year divided by our total revenue for the same year.

(4) Current ratio was calculated based on our total current assets divided by our total current liabilities as of the end of the year.

(5) Return on total assets was calculated based on our net profit or loss for the year divided by the average of opening and closing balance of total assets of the same year.

Gross Profit/Loss Margin

Our gross profit/(loss) margin was (11.4)%, (34.0)% and 9.5% in 2015, 2016 and 2017. During 2015 and 2016, we were in the process of developing our market and customer base. In 2017, we began scaling up our services and serving more mobile apps and mobile games.

Net Loss Margin and Adjusted Net Profit/(Loss) Margin

Our net loss margin was 105.7%, 242.0% and 29.9% in 2015, 2016 and 2017, respectively. Our adjusted net profit/(loss) margin was (82.4)%, (73.2)% and 1.5%, respectively, in 2015, 2016 and 2017, respectively. The change from adjusted net loss into adjusted net profit was primarily because we have successfully scaled up our advertising services in 2017 by serving more mobile apps and mobile games as our business model became more mature and our relationship with ecosystem participants became more stable.

Current Ratio

Our current ratio was 1.7 and 1.1 as of December 31, 2015 and 2016, respectively, which was primarily due to (1) the significant growth in accounts payable from RMB4.9 million as of December

31, 2015 to RMB13.9 million as of December 31, 2016, and (2) issuance of convertible bonds of RMB14.0 million. Our current ratio increased to 2.1 as of December 31, 2017, primarily due to (1) an increase in accounts receivable from RMB16.3 million as of December 31, 2016 to RMB182.6 million as of December 31, 2017, and (2) an increase in prepayments, deposit and other receivables from RMB0.8 million in 2016 to RMB93.7 million as of December 31, 2017 as a result of our fast business expansion in terms of the number of mobile apps and mobile games we helped advertise.

Return on Total Assets

We have negative return on assets of 259.3% and 80.2% in 2016 and 2017, respectively. The decrease is primarily due to the expansion of our total asset base from RMB36.1 million as of December 31, 2016 to RMB325.7 million as of December 31, 2017.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

Credit Risk

We have no significant concentration of credit risk. The carrying amount of the accounts receivable represents our maximum exposure to credit risk in relation to our financial assets. We have policies in place to ensure that sales are made to customers with an appropriate credit history. The credit risk of our other financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity Risk

Our policies are to maintain sufficient cash and cash equivalents and to have available funding through available sources of finances to meet our working capital requirements. For details of the maturity profile of our financial liabilities as of the end of 2015, 2016 and 2017 based on the contractual undiscounted payments, see Note 39(c) in part II of the Accountants' Report set out in Appendix I to this document.

DIVIDENDS

We currently do not have a pre-determined dividend policy. The payment and the amount of any future dividends will be subject to the sole discretion of our Board of Directors and will also depend on factors including, among others, our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board of Directors deems relevant. As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our consolidated affiliate entities, which are established in the PRC. Our subsidiaries in the PRC must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and distributing returns to their shareholders. Any amount of dividend we pay will be at the discretion of our Board of Directors and will depend on our future operations and earnings, capital requirements

and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant (including all applicable PRC laws and regulations which our subsidiaries in the PRC are required to comply with). During the Track Record Period, we did not declare or pay any dividends to our shareholders.

DISTRIBUTABLE RESERVES

We had no reserve available for distribution to the Shareholders as of December 31, 2015, 2016 and 2017.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2017, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since December 31, 2017 which would materially affect the information in the Accountants' Report set out in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

[REDACTED] ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of our [REDACTED] adjusted consolidated net tangible assets which has been prepared for the purpose of illustrating the effect of the [REDACTED] as if it had taken place on December 31, 2017, based on our audited consolidated net tangible assets as of December 31, 2017 as shown in the Accountants' Report set out in Appendix I to this document, and adjusted as follows:

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as of December 31, 2017[1]	**Estimated [REDACTED][2]**	**[REDACTED] adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of December 31, 2017**	**[REDACTED] adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of December 31, 2017 per Share**	
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)[3]*	*(HK$)[4][5]*
Based on an [REDACTED] of HK$[REDACTED] per Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The consolidated net tangible liabilities attributable to the owners of the Company as of December 31, 2017 is extracted from the Accountants' Report set out in Appendix I to this document, which is based on the audited consolidated net liabilities of the Group attributable to owners of the Company as of December 31, 2017 of approximately RMB172,472,000 less goodwill of approximately RMB448,000 and intangible assets of approximately RMB17,913,000.

(2) The estimated [REDACTED] from the [REDACTED] are based on the [REDACTED] of HK$[REDACTED] or HK$[REDACTED] per share, after deduction of the [REDACTED] fees and other related expenses payable by the Company and does not take into account of any shares which may be issued upon the exercise of the [REDACTED].

(3) Upon the [REDACTED], the preferred shares and warrents will have been automatically converted and subdivided (pursuant to the Share Subdivision) to [REDACTED] shares under which the carrying amounts of the preferred shares and warrants recorded as a liability of the Company will be transferred to the Company's equity.

(4) The [REDACTED] adjusted consolidated net tangible assets attributable to owners of the Company per share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] shares in issue immediately upon the completion of the [REDACTED] (including completion of the conversion of the preferred shares and warrants into ordinary shares and the Share Subdivision), assuming that the [REDACTED] has been completed on December 31, 2017 for the purpose of the [REDACTED] financial information, the options granted under the employee's share option plan and the options which may be granted under the share option scheme are not exercised, and does not take into account of any shares which may be issued upon the exercise of the [REDACTED].

For the purpose of this [REDACTED] adjusted consolidated net tangible assets, the [REDACTED] from the [REDACTED] are converted from Hong Kong dollars into Renminbi ("RMB") at an exchange rate of HK$1.00 to RMB0.8261. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2017.

FUTURE PLANS

See "Business — Our Business Strategies" for a detailed description of our future plans.

[REDACTED]

Assuming the [REDACTED] is not exercised and assuming the [REDACTED] is fixed at HK$[REDACTED] per Share (being the mid-point of the indicative range of the [REDACTED] of HK$[REDACTED] to HK$[REDACTED] per Share), we estimate that the [REDACTED] of the [REDACTED], after deducting [REDACTED], will be approximately HK$[REDACTED] million.

We intend to use the [REDACTED] from the [REDACTED] for the purposes and in the amounts set out below:

- approximately 30% of the [REDACTED], or HK$[REDACTED] million, for investments in our technology and research and development teams to support the development of new applications and features for, and enhancements of, our DAPG platform; specifically, we will focus on improving our user profiling capabilities, adopting more advances algorithm-based computation technologies, and enhancing our real time analytics and data matching capabilities;

- approximately 30% of the [REDACTED], or HK$[REDACTED] million, for investments to promote the development standard of Quick Apps by providing ongoing technical support and guidance, improving the Quick App distribution platform and attracting global mobile app developers to engage in Quick App development;

- approximately 15% of the [REDACTED], or HK$[REDACTED] million, for investments to expand our service offerings by adopting a multi-screen strategy, as well as to strengthen our ecosystem by introducing more smartphone manufacturers into our ecosystem;

- approximately 15% of the [REDACTED] or HK$[REDACTED] million, for investments to expand our monetization channels and to strengthen our sales and marketing capabilities by increasing the size of our sales force, penetrating new markets and engaging third-party sales agencies; and

- approximately 10% of the [REDACTED], or HK$[REDACTED] million, for working capital and general corporate uses.

The above allocation of [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed below or above the mid-point of the [REDACTED] range. Any additional [REDACTED] received from the exercise of the [REDACTED] will also be allocated to the above purposes on a pro rata basis.

In the event that the [REDACTED] is exercised in full, we will receive [REDACTED] of HK$[REDACTED] million (assuming an [REDACTED] of HK$[REDACTED] per Share, the mid-point of [REDACTED] range).

To the extent that the [REDACTED] of the [REDACTED] are not immediately applied for the above purposes or if we are unable to put into effect any part of our development plan as intended, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of our Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities of the Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the [REDACTED] (whether or not such issue of Shares or securities will be completed within such period), except in circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

[REDACTED]

[REDACTED]

UNDERTAKINGS PURSUANT TO [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] INDEPENDENCE

Each of [REDACTED] satisfies the independence criteria applicable to [REDACTED] as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this document.

[●]

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

The Directors
Wanka Online Inc.
China International Capital Corporation Hong Kong Securities Limited
Citigroup Global Markets Asia Limited
ICBC International Capital Limited
Macquarie Capital Limited

Dear Sirs,

We report on the historical financial information of Wanka Online Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-115, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2015, 2016 and 2017 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2015, 2016 and 2017 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-115 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the "Document") in connection with the [REDACTED].

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2015, 2016 and 2017 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

[●]
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Section II Notes	Year ended 31 December		
		2015	2016	2017
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	5	15,295	40,552	485,636
Cost of sales		(17,045)	(54,358)	(439,638)
Gross profit/(loss)		(1,750)	(13,806)	45,998
Other income and gains	5	1,017	2,133	961
Selling and distribution expenses		(1,142)	(2,017)	(5,712)
Research and development costs		(7,017)	(10,189)	(15,866)
Administrative expenses		(3,709)	(4,056)	(8,665)
Other expenses and losses		(5)	(32)	(1,976)
Share-based payment expenses	28	(502)	(28,297)	(1,866)
OPERATING PROFIT/(LOSS)		(13,108)	(56,264)	12,874
Finance costs	6	—	(1,710)	(3,528)
Fair value losses on preferred shares	25	(3,053)	(35,405)	(134,443)
Fair value losses of warrants	26	—	(4,748)	(16,239)
LOSS BEFORE TAX	7	(16,161)	(98,127)	(141,336)
Income tax expense	10	—	—	(3,758)
LOSS FOR THE YEAR		(16,161)	(98,127)	(145,094)
Attributable to:				
Owners of the parent		(16,154)	(98,037)	(145,090)
Non-controlling interests		(7)	(90)	(4)
		(16,161)	(98,127)	(145,094)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12			
Basic and diluted		RMB(0.32)	RMB(1.78)	RMB(2.47)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
LOSS FOR THE YEAR	(16,161)	(98,127)	(145,094)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	258	2	(3,458)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	258	2	(3,458)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company	(711)	(3,754)	15,822
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	(453)	(3,752)	12,364
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(16,614)	(101,879)	(132,730)
Attributable to:			
Owners of the parent	(16,607)	(101,789)	(132,726)
Non-controlling interests	(7)	(90)	(4)
	(16,614)	(101,879)	(132,730)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section II Notes	As at 31 December 2015	2016	2017
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	13	622	912	667
Intangible assets	14	—	—	17,913
Goodwill	15	—	448	448
Prepayments	18	—	—	18,868
Total non-current assets		622	1,360	37,896
CURRENT ASSETS				
Accounts receivable	17	5,032	16,316	182,608
Prepayments, deposits and other receivables	18	384	812	93,717
Financial assets at fair value through profit or loss	19	20,000	9,500	—
Cash and bank balances	20	13,495	8,157	11,490
Total current assets		38,911	34,785	287,815
CURRENT LIABILITIES				
Accounts payable	21	4,947	13,879	52,576
Other payables	22	17,118	2,560	31,931
Advances from customers	23	280	209	12,302
Interest-bearing bank borrowings	24	—	—	10,000
Convertible bonds	26	—	13,950	25,297
Income tax payable		—	—	3,752
Total current liabilities		22,345	30,598	135,858
NET CURRENT ASSETS		16,566	4,187	151,957
TOTAL ASSETS LESS CURRENT LIABILITIES		17,188	5,547	189,853
NON-CURRENT LIABILITIES				
Other payables	22	12,987	275	61,023
Preferred shares	25	9,427	64,667	259,944
Warrants	26	—	17,467	41,358
Total non-current liabilities		22,414	82,409	362,325
Net liabilities		(5,226)	(76,862)	(172,472)
EQUITY				
Equity attributable to owners of the parent				
Issued capital	27	—#	—*	—*
Reserves	30	(5,540)	(76,696)	(172,472)
		(5,540)	(76,696)	(172,472)
Non-controlling interests		314	(166)	—
Deficiency in assets		(5,226)	(76,862)	(172,472)

No capital had been injected into the Company as at 31 December 2015.

* The amount is less than RMB1,000.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2015

		Attributable to owners of the parent							
	Section II Notes	Issued capital	Capital reserve	Employee share-based compensation reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015		—	2,000	—	18	(3,132)	(1,114)	—	(1,114)
Loss for the year		—	—	—	—	(16,154)	(16,154)	(7)	(16,161)
Other comprehensive loss for the year									
Exchange differences		—	—	—	(453)	—	(453)	—	(453)
Total comprehensive loss for the year		—	—	—	(453)	(16,154)	(16,607)	(7)	(16,614)
Contribution from a non-controlling shareholder of a subsidiary		—	11,679	—	—	—	11,679	321	12,000
Equity-settled share option arrangements	28	—	—	502	—	—	502	—	502
At 31 December 2015		—#	13,679*	502*	(435)*	(19,286)*	(5,540)	314	(5,226)

No capital was injected in the Company since its incorporation till 31 December 2015.

Year ended 31 December 2016

		Attributable to owners of the parent								
	Section II Notes	Issued capital	Share premium account	Capital reserve	Employee share-based compensation reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016		—	—	13,679	502	(435)	(19,286)	(5,540)	314	(5,226)
Loss for the year		—	—	—	—	—	(98,037)	(98,037)	(90)	(98,127)
Other comprehensive loss for the year:										
Exchange differences		—	—	—	—	(3,752)	—	(3,752)	—	(3,752)
Total comprehensive loss for the year		—	—	—	—	(3,752)	(98,037)	(101,789)	(90)	(101,879)
Issue of shares and warrants	27, 35(a)	—#	10,454	3,634	—	—	—	14,088	—	14,088
Capital withdrawal by a non-controlling shareholder of a subsidiary		—	—	(11,752)	—	—	—	(11,752)	(248)	(12,000)
Acquisition of a subsidiary	31	—	—	—	—	—	—	—	(142)	(142)
Equity-settled share option arrangements	28	—	—	—	28,297	—	—	28,297	—	28,297
At 31 December 2016		—#	10,454*	5,561*	28,799*	(4,187)*	(117,323)*	(76,696)	(166)	(76,862)

The amount is less than RMB1,000.

Year ended 31 December 2017

		Attributable to owners of the parent									
	Section II Notes	Issued capital	Share premium account	Capital reserve	Employee share-based compensation reserve	Statutory reserve funds	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017		—#	10,454	5,561	28,799	—	(4,187)	(117,323)	(76,696)	(166)	(76,862)
Loss for the year		—	—	—	—	—	—	(145,090)	(145,090)	(4)	(145,094)
Other comprehensive income for the year											
Exchange differences		—	—	—	—	—	12,364	—	12,364	—	12,364
Total comprehensive income/(loss) for the year	27	—	—	—	—	—	12,364	(145,090)	(132,726)	(4)	(132,730)
Issue of shares		—	27,479	—	—	—	—	—	27,479	—	27,479
Capital contribution from registered shareholders of a subsidiary		—	—	8,000	—	—	—	—	8,000	—	8,000
Appropriation to statutory reserve funds		—	—	—	—	1,127	—	(1,127)	—	—	—
Acquisition of non-controlling interests		—	—	(395)	—	—	—	—	(395)	170	(225)
Equity-settled share option arrangements	28	—	—	—	1,866	—	—	—	1,866	—	1,866
At 31 December 2017		—#	37,933*	13,166*	30,665*	1,127*	8,177*	(263,540)*	(172,472)	—	(172,472)

The amount is less than RMB1,000.

* These reserve accounts comprise the deficits of RMB5,540,000, RMB76,696,000, RMB172,472,000 as at 31 December 2015, 2016 and 2017 in the consolidated statements of financial position, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Section II Notes	Year ended 31 December 2015	2016	2017
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(16,161)	(98,127)	(141,336)
Adjustments for:				
Foreign exchange losses/(gains), net	7	(85)	(556)	1,954
Finance cost	6	—	1,710	3,528
Bank interest income	5	(24)	(12)	(29)
Investment income	5	(58)	(181)	(82)
Impairment of accounts receivable	7	—	20	1
Depreciation of property, plant and equipment	13	112	363	443
Amortisation of intangible assets	14	—	—	2,239
Share-based payment expenses	28	502	28,297	1,866
Fair value losses on preferred shares	25	3,053	35,405	134,443
Fair value losses of warrants	26	—	4,748	16,239
Other expenses related to equity-settled transactions	35(a)	—	13,812	7,312
		(12,661)	(14,521)	26,578
Increase in accounts receivable		(4,998)	(11,304)	(166,293)
Increase in prepayments, deposits and other receivables		(97)	(428)	(92,904)
Increase in long-term prepayments		—	—	(18,868)
Increase in accounts payable		4,944	8,806	38,697
Increase/(decrease) in advances from customers		280	(71)	12,093
Increase/(decrease) in other payables		(540)	1,294	25,851
Net cash used in operations		(13,072)	(16,224)	(174,846)
Interest received		24	12	29
Income tax paid		—	—	(6)
Net cash flows used in operating activities		(13,048)	(16,212)	(174,823)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	5	58	181	82
Purchase of financial assets at fair value through profit or loss		(20,000)	—	—
Redemption of financial assets at fair value through profit or loss		—	10,500	9,500
Purchase of items of property, plant and equipment		(768)	(764)	(232)
Acquisition of a subsidiary, net of cash acquired	31	—	70	—
Net cash flows from/(used in) investing activities		(20,710)	9,987	9,350

	Section II Notes	Year ended 31 December 2015	2016	2017
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of a bank loan		—	—	10,000
Loan from third parties	35(b)	16,000	—	—
Repayment of loan from a third party	35(b)	—	(4,000)	—
Capital injection from registered shareholders of a subsidiary		—	—	8,000
Capital injection of a subsidiary's non-controlling shareholders		12,000	—	—
Capital withdrawal by a non-controlling shareholder of a subsidiary	35(b)	—	(12,000)	—
Capital injection from a shareholder		—	323	8
Proceeds from convertible bonds	35(b)	—	12,000	17,195
Proceeds from issuance of preferred shares	35(b)	—	4,008	71,705
Advance payment received for subscription of preferred shares	35(b)	12,987	—	60,523
Bank loan interest paid		—	—	(151)
Loan from employees	35(b)	—	—	3,480
Net cash flows from financing activities		40,987	331	170,760
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7,229	(5,894)	5,287
Cash and cash equivalents at beginning of the year		6,181	13,495	8,157
Net foreign exchange difference		85	556	(1,954)
CASH AND CASH EQUIVALENTS AT END OF YEAR		13,495	8,157	11,490
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		13,495	8,157	11,490
Cash and cash equivalents as stated in the consolidated statements of financial position and statements of cash flows		13,495	8,157	11,490

STATEMENTS OF FINANCIAL POSITION

	Section II Notes	As at 31 December 2015	2016	2017
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Investment in a subsidiary	29	19,339	72,428	246,930
Total non-current assets		19,339	72,428	246,930
CURRENT ASSETS				
Cash and bank balances	20	6	332	12
Total current assets		6	332	12
CURRENT LIABILITIES				
Other payables	22	—	—	33
Total current liabilities		—	—	33
NET CURRENT ASSETS/(LIABILITIES)		6	332	(21)
TOTAL ASSETS LESS CURRENT LIABILITIES		19,345	72,760	246,909
NON-CURRENT LIABILITIES				
Other payables	22	12,987	—	60,523
Preferred shares	25	9,427	64,667	259,944
Warrants	26	—	17,467	41,358
Total non-current liabilities		22,414	82,134	361,825
Net liabilities		(3,069)	(9,374)	(114,916)
EQUITY				
Issued capital	27	—#	—*	—*
Reserves	30	(3,069)	(9,374)	(114,916)
Deficiency in assets		(3,069)	(9,374)	(114,916)

No capital had been injected into the Company as at 31 December 2015.

* The amount is less than RMB1,000.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Wanka Online Inc. (the "Company") is a limited liability company incorporated in the Cayman Islands on 7 November 2014. Its registered office is Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands. The Company, together with its subsidiaries, is collectively referred to as the Group.

Prior to November 2014, the offshore structure was held by the Company's predecessor, Wanka Inc., a company incorporated in Cayman Islands on 20 May 2014. On 7 November 2014, the Company entered into a letter agreement with Wanka Inc., pursuant to which all the shares of Wanka Holdings Limited, a company set up in Hong Kong by Wanka Inc., would be transferred from Wanka Inc. to the Company for a consideration of HK$1.0. The transfer was completed on 28 November 2014 and since then, the Company has been the holding company of the Group.

During the Relevant Periods, the Company and its subsidiaries, including controlled structured entities (together, the "Group") were mainly involved in the mobile advertising services.

Information about subsidiaries

As at 31 December 2017, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Wanka Holdings Limited	Hong Kong 6 June 2014	HK$1	100	—	Investment holding
Wanka Huanju Culture Media (Beijing) Co., Ltd.*^ ("Wanka Huanju")	People's Republic of China ("PRC")/ Mainland China 10 October 2014	US$40,990,000	—	100	Mobile advertising services
Huanju Times Culture Media (Beijing) Co., Ltd.* ("Huanju Times")	PRC/Mainland China 7 March 2014	RMB10,000,000	—	Note 1	Mobile advertising services
Beijing Jingzhe Century Information Technology Co., Ltd.*	PRC/Mainland China 15 November 2006	RMB1,000,000	—	Note 2	Mobile advertising services

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Wanka Huanju Culture Media (Hainan) Co., Ltd.*	PRC/Mainland China 1 June 2017	RMB5,000,000	—	Note 2	Mobile advertising services
Wanka Huanju Culture Media (Tianjin) Co., Ltd.*	PRC/Mainland China 9 June 2017	RMB5,000,000	—	Note 2	Mobile advertising services
Sichuan Wanka Huanju Culture Media Co., Ltd.*	PRC/Mainland China 20 November 2017	RMB5,000,000	—	Note 2	Mobile advertising services
Huanju Times Culture Media (Chengde) Co., Ltd.*	PRC/Mainland China 14 June 2017	RMB10,000,000		Note 2	Mobile advertising services

Note 1: Huanju Times was set up under PRC law and was controlled by the Company via a series contractual arrangements. Details please refer to below "Contractual arrangements".

Note 2: The Company does not have directly or indirectly legal ownership of these entities which were set up under the PRC law and was controlled by the Group through Wanka Times. These companies are wholly-owned subsidiaries of Huanju Times.

* The names of these subsidiaries referred to in this report represent management's best effort in translating the Chinese names of the subsidiaries, as no English names have been registered.

^ These companies are registered as a wholly-foreign-owned enterprise under PRC law.

Details of the companies now comprising the Group that are subject to statutory audit during the Relevant Periods and the names of the respective auditors are set out below:

Name of subsidiary	Financial year	Statutory auditors
Wanka Holdings Limited	2015-2017	Note 1
Wanka Huanju	2015	Beijing Zhongcai Guoxin Certified Public Accountants*
	2016	Zhongshen Zhonghuan Certified Public Accountants*
	2017	Dahua Certified Public Accountants*
Huanju Times	2015	Beijing Zhongcai Guoxin Certified Public Accountants*
	2016	Zhongshen Zhonghuan Certified Public Accountants*
	2017	Dahua Certified Public Accountants*

Name of subsidiary	Financial year	Statutory auditors
Beijing Jingzhe Century Information Technology Co., Ltd.	2015-2016 2017	Note 2 Dahua Certified Public Accountants*
Wanka Huanju Culture Media (Hainan) Co., Ltd.	2015-2016 2017	Note 3 Dahua Certified Public Accountants*
Wanka Huanju Culture Media (Tianjin) Co., Ltd.	2015-2016 2017	Note 3 Dahua Certified Public Accountants*
Sichuan Wanka Huanju Culture Media Co., Ltd.	2015-2017	Note 4
Huanju Times Culture Media (Chengde) Co., Ltd.*	2015-2017	Note 4

Note:

* The names of these certified public accountants firms ("CPA Firms") referred to in this report represent management's best effort in translating the Chinese names of the CPA Firms, as no English names have been registered.

1 No statutory financial statements were prepared for this subsidiary for the years ended 31 December 2015, 2016 and 2017 as there was no substantial operation during these years.

2 No statutory financial statements were prepared for the subsidiary for the years ended 31 December 2015 and 2016 as there was no substantial operation during these years.

3 No statutory financial statements were prepared for these subsidiaries for the years ended 31 December 2015 and 2016 as these entities were established in 2017.

4 No statutory financial statements were prepared for these subsidiaries for the years ended 31 December 2015, 2016 and 2017 as these entities were established in 2017 and there were no substantial operation during that year.

Contractual arrangements

The regulations in mainland China restrict foreign ownership of companies that provide certain internet related business, which include certain activities and services operated by the Group. In order to enable certain foreign companies to make investments into these businesses of the Group, the Company controls certain subsidiaries through contractual arrangements. In 2014, a wholly-owned subsidiary of the Company, Wanka Huanju had entered into a series of contractual arrangements (the "2014 Contractual Arrangements") with Huanju Times and its register shareholders which was further updated in 2016 (the "2016 Contractual Arrangements"). In preparation for the [REDACTED], (i)

Wanka Huanju, Huanju Times and Huanju Times' registered shareholders entered into a new set of contractual arrangements in compliance with the applicable rules and requirements, namely the 2018 Contractual Arrangements, which superseded and replaced the 2014 and 2016 Contractual Arrangements and entered into force from June 2018. The 2014 Contractual Arrangements, 2016 Contractual Arrangements and 2018 Contractual Arrangements, collectively referred as Contractual Arrangements, enable the Group to conduct businesses in industries that are subject to foreign investment restrictions in Mainland China, and enable Wanka Huanju to:

1) govern the financial and operating policies of Huanju Times;

2) exercise equity holders' voting rights of Huanju Times;

3) receive substantially all of the economic interest returns generated by Huanju Times as consideration for the business support, technical and consulting services provided by Wanka Huanju;

4) obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Huanju Times from the respective registered shareholders at a minimum purchase price when it is permitted under laws and regulations in Mainland China. Wanka Huanju can exercise such options at any time until it has acquired all equity interests of Huanju Times;

5) Obtain a pledge over the respective existing and future equity interests, including any interest or dividend paid for the shares, in Huanju Times, to Wanka Huanju as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts from the respective registered shareholders.

As a result of the 2014 and 2016 Contractual Arrangements, the Group has rights to exercise power over Huanju Times and its subsidiaries, receives variable returns from its involvement in Huanju Times and its subsidiaries, has the ability to affect those returns through its power over Huanju Times and its subsidiaries and is considered to control Huanju Times and its subsidiaries. Consequently, the Company regards Huanju Times and its subsidiaries as controlled structured entities and consolidated the assets, liabilities and results of operations of Huanju Times and its subsidiaries in the consolidated financial information of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Huanju Times and its subsidiaries. Uncertainties presented by the legal system in Mainland China could impede the Group's beneficiary rights of the results, assets and liabilities of Huanju Times and its subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Wanka Huanju, Huanju Times and its registered shareholders are in compliance with the relevant laws and regulations in Mainland China and are legally binding and enforceable.

2.1 BASIS OF PREPARATION

The Historical Financial Information have been prepared under the going concern basis notwithstanding the Group's net liabilities financial positions at each reporting date as the directors of the Company are of the opinion that, (1) after taking into account the expected operating results and financial resources available to the Group, including internally generated funds, equity investors' capital injection and the available banking facilities, the Group will have sufficient working capital for its present requirements to meet its financial obligations as and when they fall due; and (2) given the Group's net liabilities financial positions was mainly due to preferred shares of the Company, which would either be converted into ordinary shares of the Company upon [REDACTED] or to be repaid in a time beyond 12 months. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Historical Financial Information.

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA. All HKFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods. In preparing the Historical Financial Information, the Group has also early adopted HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15").

The Historical Financial Information has been prepared under the historical cost convention, except for preferred shares, warrants and financial assets designated as fair value through profit or loss, which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied or early adopted the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
HKFRS 9	*Financial Instruments*[1]
Amendment to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

Notes:

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial information.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) **Classification and measurement**

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Material equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are

intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) **Impairment**

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the impairment of trade and other receivables.

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Leasees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 33 to the Historical Financial Information, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB3,762,000. Upon adoption of

HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. The new standard will therefore result in an increase in assets and lease liabilities in the consolidated statements of financial position. As for the financial performance impact in the consolidated statements of profit or loss, the operating lease expenses will decrease, while depreciation and amortisation and the interest expense will increase. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that 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) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial information of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial information.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial information.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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

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

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

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

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

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

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

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

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

Electronic devices	33%
Transportation devices	25%
Office devices	33%

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

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

Intangible assets (other than goodwill)

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

Commercial resources

Commercial resources associated with certain business cooperation agreements with certain mobile phone manufacturers is stated at cost less any impairment losses and is amortised on the straight-line basis over their duration of the cooperation agreement with a mobile phone manufacturer.

Commercial resources	1 - 3 years

Research and development costs

All research and development costs are charged to the statements of profit or loss as incurred.

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

Leases

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

Impairment of non-financial assets

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

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses and losses in the statements of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statements of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statements of profit or loss. The loss arising from impairment is recognised in the statements of profit or loss in other expenses and losses.

Derecognition of financial assets

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

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statements of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statements of profit or loss.

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include accounts and other payables, interest-bearing bank borrowings, convertible bonds, preferred shares and warrants.

Subsequent measurement

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

Loans and borrowings

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

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

Preferred shares

Preferred shares issued by the Company are redeemable upon the occurrence of certain future events and at the option of the holders. This instrument can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon the occurrence of an [REDACTED] of the Company or agreed by majority of the holders as detailed in note 25 to the Historical Financial Information.

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

Subsequent to initial recognition, the Preferred shares are carried at fair value with changes in fair value recognised in statements of profit or loss.

The preferred shares are classified as non-current liabilities as the Group has unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Warrants

Warrants were issued by the Company to some investors of the Company to purchase certain ordinary shares or preferred shares of the Company. The Warrants may be exercised by these investors when some conditions are met according to the warrants terms as detailed in note 26 to the Historical Financial Information.

The Group designated the warrants as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as expenses in statements of profit or loss.

Subsequent to initial recognition, the warrants are carried at fair value with changes in fair value recognised in statements of profit or loss.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statements of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs (if any). The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs (if any) are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. Please refer to note 26 to the Historical Financial Information for details.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statements of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statements of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statements of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statements of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss.

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

Revenue recognition

The Group principally derives revenue from rendering of mobile advertising services. The Target group acquired in subsequent periods by the Group principally derives revenue from content/entertainment program distribution and marketing services.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services performed, stated net of returns and value-added taxes. The Group recognises revenue when the specific criteria have been met for each of the Group's activities, as described below.

(1) ***Mobile advertising services***

The Group provides mobile advertising services to its customers and revenue is recognised over the period that services are provided. Revenue from mobile advertising services is recognised based on actual performance measurement. The Group recognises the revenue from the delivery of (i) per click when the users click on the advertisement, (ii) per-impression when the advertising are displayed to users; or (iii) per-download when the third party apps are downloaded by users.

The Group delivers advertising services on third-party advertising publishers' websites or mobile publications and evaluates whether the Group is acting as the principal or agent in the transaction. The Group is a principal in a transaction if the Group controls the services provided before they are provided to customers. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators. The Group records revenue on a gross basis.

(2) ***Audio-visual entertainment program distribution***

The Group generates revenue from providing the content distribution services to the content providers and revenue is recognised over the period that services are provided.

The Group enters into marketing arrangements with content providers to use the Group's channels to promote contents to potential subscribers over a particular period of time. The Group recognises a proportion of the subscribers' payments, such as a monthly package, etc., predetermined in the contracts with the content providers.

(3) ***Mobile game operation***

The Group engages in development and operation of mobile games. The Company operates its mobile games through cooperation with third-party game distribution platforms to sell the in-game virtual currency and virtual items.

Revenue is recognised only when the in-game virtual items are purchased and consumed by the players.

(4) ***Interest income***

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Company's functional currency is the United States dollars while the presentation currency of the Historical Financial Information is RMB. In the opinion of the directors, as the Group's operations are mainly in the PRC, the use of RMB as the presentation currency is more appropriate for the presentation of the Group's results and financial position. Each entity in the Group determines its own functional currency and items included in the financial information of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the

Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statements of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statements of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statements of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the Company and the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Employee benefits

(a) ***Pension scheme***

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by either the relevant authorities or the local municipal governments of the provinces in Mainland China in which the Group's subsidiaries are located. The Group is required to contribute to the central pension scheme in respect of its employees in Mainland China and these costs are charged to the statements of profit or loss as incurred.

(b) ***Share-based compensation scheme***

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Hull-White Enhanced ESO Valuation model, further details of which are given in note 28 to the Historical Financial Information.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Contractual Agreements

The Company does not have directly or indirectly legal ownership in equity interest in certain of their PRC entities (Huanju Times and its subsidiaries). However, as a result of the Contractual Arrangements, the Group has rights to exercise power over these PRC entities, receives variable returns from its involvement with these PRC entities and has the ability to affect those returns through its power over these PRC entities and is therefore considered to have control over these PRC entities. Consequently, the Company regards these PRC entities as controlled structured entities and consolidated the assets, liabilities and results of operations of these PRC entities in the Historical Financial Information during the Relevant Periods.

Nevertheless, the contractual arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Huanju Times and its subsidiaries. Uncertainties presented by the legal system in Mainland China could impede the Group's beneficiary rights of the

results, assets and liabilities of Huanju Times and its subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Wanka Huanju, Huanju Times and its equity holders are in compliance with the relevant laws and regulations in Mainland China and are legally binding and enforceable.

Revenue recognition: gross versus net

Application of various accounting principles related to the measurement and recognition of revenue requires the Group to make judgments and estimates. Specifically, significant judgments include determining whether the Group is acting as the principal in a transaction. The Group is a principal in a transaction if the Group controls the services provided before they are provided to customers. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices, or has several but not all of these indicators, the Group records revenue on a gross basis.

Estimation uncertainty

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

Impairment assessment for accounts receivable

The policy for impairment assessment for accounts receivable of the Group is based on the evaluation of collectability and ageing analysis of accounts receivable and on the judgement of management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. Net impairment of accounts receivable of nil, RMB20,000 and RMB1,000 were recognised in the consolidated statement of profit and loss for the years ended 31 December 2015, 2016 and 2017. The carrying amount of accounts receivable as at 31 December 2015, 2016 and 2017 was RMB5,032,000, RMB16,316,000 and RMB182,608,000.

Estimation of fair value of preferred shares

The preferred shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The fair value losses of approximately RMB3,053,000, RMB35,405,000 and RMB134,443,000 were recognised in the consolidated statements of profit or loss for the years ended 31 December 2015, 2016 and 2017, respectively. The fair values of preferred shares were valued by a third party valuer. The enterprise value allocation model is used in the valuation of preferred shares of the Company based on the estimated underlying equity value of the Company. The underlying equity value of the Company is estimated by the valuer

using the method of discounting the future expected cash flows (the "DCF Method"). Key inputs used in valuing the underlying equity value are set forth in detail in note 25 to the Historical Financial Information. The carrying amount of preferred shares included in non-current liabilities as at 31 December 2015, 2016 and 2017 were RMB9,427,000, RMB64,667,000 and RMB259,944,000, respectively.

Estimation of fair value of warrants

The warrants issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The fair value losses of approximately RMB4,748,000 and RMB16,239,000 were recognised in the consolidated statements of profit or loss for the years ended 31 December 2016 and 2017, respectively. The fair values of warrants were valued by a third party valuer. The enterprise value allocation model is used in the valuation of warrants of the Company based on the estimated underlying equity value of the Company. The underlying equity value of the Company is estimated by the valuer using the DCF Method. Key inputs used in valuing the underlying equity value are set forth in detail in note 26 to the Historical Financial Information. In particular, for warrants issued to Shenshang VC, MIC and China Creation Ventures (as defined and disclosed in note 26), according to the terms and conditions of the financing arrangements, the exercise of the warrants are conditional on, among others, the redemption of the convertible bonds; the redemption or the conversion of the convertible bonds are conditional on, among others, the waiver of the warrants. Hence, the Group will need to apply estimation of the probabilities of each scenario when assessing the fair values of the liability component of the convertible bonds (hence the initial measurement of the equity component of the respective convertible bonds) and the warrants, respectively. The Group estimated that (a) it is remote that the convertible bond will be converted into equity in Huanju Times ; and (b) it is highly probable that such warrants will be exercised by the respective warrants holders considering the specific conditions and circumstances related to the Group and the financing arrangements when assessing the fair values of such warrants and the convertible bonds at respective valuation dates. The carrying amount of warrants included in non-current liabilities as at 31 December 2015, 2016 and 2017 were nil, RMB17,467,000 and RMB41,358,000, respectively.

Estimation of fair value of the liability component of the convertible bonds at the issuance date

The convertible bonds issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The fair value of the liability component of the convertible bonds was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The carrying amount of convertible bonds as at 31 December 2015, 2016 and 2017 were nil, RMB13,950,000 and RMB25,297,000, respectively.

Recognition of employee benefit expense for share options granted

The Group operates an equity-settled share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including executive and non-executive directors) of the Group receive remuneration in the form of share-based payments, which are equity-settled transactions. The cost of equity-settled transactions with employees for share options granted should be measured by reference

to the fair value of the share options at the grant date. The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the vesting period in which the performance and/or service conditions are fulfilled. The total fair value of the share options at respective grant dates was valued using the Hull-White Enhanced ESO Valuation model. Significant estimate on assumptions, such as risk-free interest rate, expected volatility, dividend yield and expected forfeiture rate, is required to be made by the directors and disclosed in note 28 to the Historical Financial Information.

Fair value of intangible assets on initial recognition

The intangible assets which are identifiable according to certain contractual rights to obtain the control of the future economic benefits of certain commercial resources from a mobile phone manufacturer. The fair value of the intangible assets is determined by using valuation techniques. The fair value of intangible assets of RMB20,152,000 was recognised for the year ended 31 December 2017, which were valued by a third party valuer using the "with or without" method of discounting the future expected net profits of the Group generated from the intangible assets. Key inputs used in valuing the fair value of the intangible assets are set forth in note 14 to the Historical Financial Information.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group has unrecognised tax losses of RMB15,849,000, RMB40,746,000 and RMB44,183,000 that are available for offsetting against its future taxable profits as at 31 December 2015, 2016 and 2017, respectively. Further details are contained in note 16 to the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

Since the Group's revenue and operating profit were generated from the provision of mobile advertising services in Mainland China, all of the Group's assets and liabilities were related to mobile advertising services located in Mainland China, no segment information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

The major customers which contributed more than 10% of the total revenue of the Group for the Relevant Periods are listed as below:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	11,705	N/A*	N/A*
Customer B	N/A#	13,033	N/A*
Customer C	N/A#	5,363	N/A*
Customer D	N/A*	5,025	N/A*
Customer E	N/A#	N/A*	N/A*
Customer F	N/A*	N/A*	N/A*

* During the Relevant Periods, the amount of revenue from such customer is less than 10% of the total revenue for that period.

\# During the year ended 31 December 2015, the Group has no transactions with these customers.

The Group mainly operates in Mainland China and earns substantially all of the revenue from external customers located in Mainland China.

As at 31 December 2015, 2016 and 2017, all of the non-current assets of the Group were located in Mainland China.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net value of mobile advertising services rendered, after allowances for sales rebates.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Mobile advertising services provided	15,295	40,552	485,636
Other income and gains			
Conference service income, net	850	1,382	849
Bank interest income	24	12	29
Investment income	58	181	82
Foreign exchange gain, net	85	556	—
Others	—	2	1
	1,017	2,133	961

Contract liabilities

The Group has recognised the following revenue-related contract liabilities

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities			
Advances from customers for mobile advertising services (note 23)	280	209	12,302

(i) *Significant changes in contract liabilities*

Contract liabilities for the mobile advertising services business mainly arise from the services agreed with and advances received from customers upon which the performance obligations have been established while the underlying services are to be provided.

(ii) *Revenue recognised in relation to contract liabilities*

The following table shows how much of the revenue recognised in the Relevant Periods relates to carried-forward contract liabilities:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the period:			
Mobile advertising services	—	280	209

(iii) *Unsatisfied performance obligations*

The following table shows unsatisfied performance obligations as at 31 December 2015, 2016 and 2017.

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Mobile advertising services	280	209	12,302

Management expects that the transaction price allocated to the unsatisfied performance obligations as of 31 December 2017 will be recognised as revenue during the year ending 31 December 2018.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Interest expense			
- bank borrowings	—	—	151
- loans from employees (note 22)	—	—	74
- convertible bonds (note 26)	—	1,710	3,303
	—	1,710	3,528

7. LOSS BEFORE TAX

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

	Section II Notes	Year ended 31 December 2015	2016	2017
		RMB'000	*RMB'000*	*RMB'000*
Cost of sales, net of purchase rebate		15,161	36,413	425,350
Depreciation and amortisation	13, 14	112	363	2,682
Minimum lease payments under operating leases		812	886	1,624
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8))^:				
Wages and salaries		4,401	8,783	15,168
Pension scheme contributions		477	955	1,939
Share-based payment expenses	28	502	1,344	1,866
		5,380	11,082	18,973
Fair value losses on preferred shares	25	3,053	35,405	134,443
Fair value losses on warrants	26	—	4,748	16,239
Impairment of accounts receivable*	17	—	(20)	(1)
Foreign exchange losses/(gains), net*		(85)	(556)	1,954

* Impairment of accounts receivable and foreign exchange loss are included in "Other expenses and losses" in the consolidated statements of profit or loss, foreign exchange gains are included in "Other income and gains" in the consolidated statements of profit or loss.

^ Employee benefit expense excluding share-based payment expenses are included in "Cost of sales", "Selling and distribution expenses" and "Administrative expenses" in the consolidated statements of profit or loss.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods is as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Fees:			
Directors	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	126	139	213
Share-based payment expenses	—	26,953	—
Pension scheme contributions	17	18	29
	143	27,110	242

Year ended 31 December 2015

	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment expenses	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Gao Dinan[1, 8]	126	17	—	143
Mr. Xu Hai[2]	—	—	—	—
Mr. Wang Xiaogang[2]	—	—	—	—
	126	17	—	143

Year ended 31 December 2016

	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment expenses	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Gao Dinan[1, 8]	139	18	—	157
Mr. Zheng Wei[3, 8]	—	—	26,953	26,953
Mr. Ho Kyung Shik[3, 7]	—	—	—	—
Mr. Song Chunyu[4, 8]	—	—	—	—
Mr. Xu Hai[2]	—	—	—	—
Mr. Wang Xiaogang[2]	—	—	—	—
Mr. Xu Li[4, 7]	—	—	—	—
Mr. Fang Yuan[5, 7]	—	—	—	—
	139	18	26,953	27,110

Year ended 31 December 2017

	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Mr. Gao Dinan[1, 8]	156	21	177
Mr. Zheng Wei[3, 8]	57	8	65
Mr. Ho Kyung Shik[3]	—	—	—
Mr. Song Chunyu[4, 8]	—	—	—
Mr. Xu Li[4]	—	—	—
Mr. Fang Yuan[5]	—	—	—
Ms. Xie Guowang[6, 8]	—	—	—
	213	29	242

Notes

1 Mr. Gao Dinan is also the chief executive of the Company.

2 Mr. Xu Hai and Mr. Wang Xiaogang were appointed as directors of the Company with effect from 7 November 2014. They resigned as directors of the Company with effect from 1 March 2016.

3 Mr. Zheng Wei and Mr. Ho Kyung Shik were appointed as directors of the Company with effect from 1 March 2016.

4 Mr. Song Chunyu and Mr. Xu Li were appointed as directors of the Company with effect from 3 May 2016.

5 Mr. Fang Yuan was appointed as a director of the Company with effect from 10 June 2016.

6 Ms. Xie Guowang was appointed as a director of the Company with effect from 18 April 2017.

7 Mr. Ho Kyung Shik, Mr. Xu Li and Mr. Fang Yuan resigned as a director of the Company with effect from 15 June 2018.

8 Mr. Gao Dinan, Mr. Zheng Wei and Ms. Zhou Yan were designated as executive directors of the Company, and Mr. Zhu Jing, Mr. Song Chunyu and Ms. Xie Guowang were designated as non-executive directors of the Company effectively from 15 June 2018.

9 On 6 April 2016, Wanka Media Limited ("Wanka Media"), the then holding company of the Company, transferred 425,597 ordinary shares of the Company to Countryside Tech Inc., a company wholly-owned by Mr. Zheng Wei, a director of the Company, at nil consideration, representing approximately the then 37.83% equity interest in the Company (the "Transferred Shares"). Wanka Media Limited held 51.06% interest in the Company as at 6 April 2016 after the aforesaid share transfer. Based on the valuation performed by an independent valuer, the fair value of the Transferred Shares, which was determined using the discounted cash flow method, was approximately RMB26,953,000, which was charged to profit or loss to reflect the fair value of the services rendered by Mr. Zheng Wei to the Group.

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

9. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration for the Relevant Periods of the five highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	425	612	808
Share-based payment expenses	395	893	780
Pension scheme contributions	56	79	113
	876	1,584	1,701

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

	Year ended 31 December		
	2015	**2016**	**2017**
Nil to HK$1,000,000	5	5	5

During the Relevant Periods, share options were granted to the five highest paid employees of the Group in respect of their services to the Group, under the share incentive plan of the Company, further details of which are set out in note 28 to the Historical Financial Information. The fair value of these options, which has been recognised in the statements of profit or loss over the vesting periods, was determined as at the date of grant and the amounts included in the Historical Financial Information for the Relevant Periods are included in the above five highest paid employees' remuneration disclosures.

10. INCOME TAX

The Company is incorporated under the law of the Cayman Islands and is not subject to the Cayman Islands income tax.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods. The income tax expenses of the Group for 2017 represented current tax expenses related to the Group's operations in Mainland China.

The income tax provision of the Group in respect of its operation in Mainland China was calculated at the tax rate of 25% on the estimated assessable profits for the Relevant Periods, if applicable, based on the existing legislation, interpretations and practice in respect thereof, except for one PRC subsidiary which is entitled to a preferential tax rate of 15% as it is qualified as a "high and new technology enterprise".

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Current — Mainland China	—	—	3,758
Deferred (note 16)	—	—	—
Total tax charge for the year	—	—	3,758

A reconciliation of the tax expense applicable to loss before tax at the statutory income tax rate applicable in Mainland China to the tax charge at the effective tax rate is as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Loss before tax	(16,161)	(98,127)	(141,336)
Tax at the statutory tax rate (25%)	(4,040)	(24,532)	(35,334)
Effect of different tax rates in different jurisdictions	—	—	(267)
Expense not deductible for tax	906	18,340	38,239
Tax losses utilized	—	—	(493)
Tax losses not recognised	3,134	6,192	1,613
Tax charge at the Group's effective tax rate	—	—	3,758

11. DIVIDENDS

No dividends have been paid or declared by the Company during each of the year ended 31 December 2015, 2016 and 2017.

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 50,000,000, 55,005,198, 58,689,964 shares in issue during the years ended 31 December 2015, 2016 and 2017, respectively, considering the share split occurred on 15 November 2017, the share split was treated as having been in issue for the whole period and also included in the loss per share calculation of all earlier periods presented so as to give a comparable results.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As the Group incurred losses for the years ended 31 December 2015, 2016 and 2017, the potential ordinary shares, were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive.

Accordingly, diluted loss per share amounts for the years ended 31 December 2015, 2016 and 2017 are the same as basic loss per share amounts of the respective years.

	Year ended 31 December		
	2015	2016	2017
Loss attributable to owners of the parent used in the basic and diluted loss per share calculation (RMB'000)	(16,154)	(98,037)	(145,090)
Weighted average number of ordinary shares in issue during the year	50,000,000	55,005,198	58,689,964
Basic/diluted loss per share	RMB(0.32)	RMB(1.78)	RMB(2.47)

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Electronic devices
	RMB'000
31 December 2015	
At 1 January 2015:	
Cost	92
Accumulated depreciation	(14)
Net carrying amount	78
At 1 January 2015, net of accumulated depreciation	78
Additions	656
Depreciation provided during the year	(112)
At 31 December 2015, net of accumulated depreciation	622
At 31 December 2015	
Cost	748
Accumulated depreciation	(126)
Net carrying amount	622

Group

	Electronic devices
	RMB'000
31 December 2016	
At 1 January 2016:	
Cost	748
Accumulated depreciation	(126)
Net carrying amount	622
At 1 January 2016, net of accumulated depreciation	622
Additions	653
Depreciation provided during the year	(363)
At 31 December 2016, net of accumulated depreciation	912
At 31 December 2016	
Cost	1,401
Accumulated depreciation	(489)
Net carrying amount	912
31 December 2017	
At 1 January 2017:	
Cost	1,401
Accumulated depreciation	(489)
Net carrying amount	912
At 1 January 2017, net of accumulated depreciation	912
Additions	198
Depreciation provided during the year	(443)
At 31 December 2017, net of accumulated depreciation	667
At 31 December 2017	
Cost	1,599
Accumulated depreciation	(932)
Net carrying amount	667

14. INTANGIBLE ASSETS

Group

	Commercial resources
	RMB'000
31 December 2017	
At 1 January 2017:	
Cost	—
Accumulated amortisation	—
Net carrying amount	—
At 1 January 2017, net of accumulated amortisation	—
Additions (note 35(a)(iv))	20,152
Amortisation provided during the year	(2,239)
At 31 December 2017, net of accumulated amortisation	17,913
At 31 December 2017	
Cost	20,152
Accumulated amortisation	(2,239)
Net carrying amount	17,913

Note 1: Intangible assets recognised in 2017 was related to certain commercial resources associated with a cooperation agreement with a mobile phone manufacturer. On 15 November 2017, the Group issued 3,806,026 Class B ordinary shares to a mobile phone manufacturer at total consideration of US$1,142 in cash together with a cooperation agreement with the mobile phone manufacturer, aiming to monetize certain commercial resources of the mobile phone manufacturer. The transaction was an equity-settled transaction. An intangible asset of RMB20,152,000 was recognised, which are valued by an independent valuer using "with or without" method of discounting the future expected net profits of the Group generated from the intangible assets. Key inputs used in valuing the fair value of the intangible assets are set forth as below:

	As the transaction date
	2017
Discount rate	19%
Budgeted revenue growth rate	200%

Discount rate was estimated by weighted average cost of capital as the date of acquisition of the commercial resources, which reflects specific risks relating to the resources.

The basis used to determine the budgeted revenue growth rate is the average growth rate achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

15. GOODWILL

Group

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year:			
Cost	—	—	448
Acquisitions of a subsidiary (note 31)	—	448	—
Cost and net carrying amount at end of the year	—	448	448

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to certain cash-generating units (the "CGU") for impairment testing:

The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 37.2%. The growth rate used to extrapolate the cash flows of the CGU beyond the five-year period is 3%. The directors of the Company believes that this growth rate is discreet given the future uncertainty of the global macro economy and market.

Assumptions were used in the value in use calculation of the CGU. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of the above CGU and discount rate are consistent with external information sources.

The directors of the Company assessed that, the recoverable amount would still exceed the carrying amount of goodwill and the CGU if there is a reasonably possible change in a key assumption on which management has based its determination of the CGU's recoverable amount.

16. DEFERRED TAX

The Group has tax losses of RMB15,849,000, RMB40,746,000 and RMB44,183,000 that are available for offsetting against its future taxable profits as at 31 December 2015, 2016 and 2017. All of these losses are arising from Mainland China, that are available for offsetting against future taxable profits to a maximum period of five years of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

A deferred tax liability is recognised for the estimated withholding taxes to the extent that it is probable that those subsidiaries will distribute earnings in the foreseeable future. This requires an estimation of the likely timing and level of dividends to be distributed. As there is no material unremitted earnings as at the end of the Relevant Periods and the Group does not expect the unremitted earnings will be distributed in the foreseeable future, hence the Group did not recognise a deferred tax liability.

17. ACCOUNTS RECEIVABLE

Group

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Accounts receivable	5,032	16,316	182,608
Impairment	—	—	—
Total	5,032	16,316	182,608

The Group's trading terms with its customers are partially on credit. For some customers, payments in advance are normally required. The credit period generally ranges from one to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An ageing analysis of the accounts receivable as at the end of each of the Relevant Periods, based on the invoice date and net of provision, is as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	4,914	16,293	179,604
3 to 12 months	116	2	2,983
1 to 2 years	2	21	—
2 to 3 years	—	—	21
	5,032	16,316	182,608

The movements in provision for impairment of accounts receivable are as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	—	—	—
Impairment losses recognised (note 7)	—	20	1
Write off	—	(20)	(1)
At end of year	—	—	—

The individually impaired accounts receivable relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is not expected to be recovered.

The ageing analysis of the accounts receivable that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	5,032	16,316	182,608

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

No accounts receivable were pledged to secure bank loans and other loans as at 31 December 2015, 2016 and 2017, respectively.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Non-current portion:			
Prepayments	—	—	18,868
Current portion:			
Prepayments	230	415	56,799
Due from a director (note 36(b))	—	—	32,671
Deposits and other receivables	154	397	4,247
Total	384	812	93,717

None of the above financial assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Wealth management financial product	20,000	9,500	—

The wealth management financial products can be redeemed at any time.

The fair values of the wealth management financial products have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

20. CASH AND BANK BALANCES

Group

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	13,495	8,157	11,490
Cash and bank denominated in:			
- RMB	499	1,216	7,012
- USD	12,996	6,941	4,478
	13,495	8,157	11,490

Company

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	6	332	12
Cash and bank denominated in:			
- USD	6	332	12

RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. ACCOUNTS PAYABLE

An ageing analysis of the Group's accounts payable at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	4,944	13,776	52,428
1 to 2 years	3	—	45
2 to 3 years	—	103	—
More than 3 years	—	—	103
	4,947	13,879	52,576

The accounts payable are non-interest-bearing and normally settled on 60 to 90 days.

22. OTHER PAYABLES

Group

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Non-current portion:			
Advance payments received for subscription of preferred shares	12,987	—	60,523
Other payables	—	275	500
	12,987	275	61,023
Current portion:			
Payroll payables	780	1,820	1,938
Loans from third parties	16,000	—	—
Loans from employees[#]	—	—	3,554
Due to a director (note 36(b))	—	—	23,890
Other payables	338	740	2,549
	17,118	2,560	31,931

Company

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Non-current portion:			
Advance payments received for subscription of preferred shares	12,987	—	60,523
Current portion:			
Other payables	—	—	33

The carrying value as at 31 December 2017 include principal of RMB3,480,000 and interest of RMB74,000. The loans from employees as at 31 December 2017 mature within one year and the annual interest rate was 6.3%.

23. ADVANCES FROM CUSTOMERS

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Advances from customers	280	209	12,302

24. INTEREST-BEARING BANK BORROWINGS

The Group did not have any interest-bearing bank borrowings as at 31 December 2015 and 2016. Details of the Group's interest-bearing bank borrowings as at 31 December 2017 are as follows:

	As at 31 December 2017		
	Effective contractual interest rate (%)	**Maturity**	**RMB'000**
Current			
Bank loans — secured	6.786	2018	10,000

	31 December 2017
	RMB'000
Analysed into:	
Bank loans repayable:	
Within one year or on demand	10,000

Note:

(a) The Group's bank loans of RMB10,000,000 as at 31 December 2017 are secured by a property held by a director and guaranteed by two directors and their spouses (note 36(b)).

25. PREFERRED SHARES

Since the date of incorporation and up to 31 December 2017, the Company has completed the issuance of the following preferred shares to certain investors. For details, please refer to below table:

		Conversion price (US$/share)		Number of shares		Total consideration	
	Date of issuance	Before share split (Note a)	After share split	Before share split	After share split	USD'000	RMB'000
Series Pre-A preferred shares	21 November 2014	US$ 8.00	US$0.16	125,000	6,250,000	1,000	6,123
Series A-1 preferred shares[(note b)]	1 March 2016	US$35.20	US$0.70	56,821	2,841,050	2,000	12,987
Series A-2 preferred shares[(note b)]	1 March 2016	US$30.80	US$0.62	20,946	1,047,300	US$ equivalent of RMB4 million	4,000
Series B preferred shares	18 April 2017	US$59.38	US$1.19	176,837	8,841,850	10,500	71,705

Notes:

a. Pursuant to the shareholders' resolution passed on 15 November 2017, each share of the issued convertible redeemable preferred shares is subdivided into 50 shares.

b. Series A preferred shares includes series A-1 and series A-2 preferred shares.

The key terms of preferred shares are summarised as follows:

(a) **Dividend rights**

Each holder of a preferred share shall be entitled to receive dividends at the rate of 6% of the original issue price per annum for each such preferred share held by such holder, payable out of funds or assets when and as such funds or assets become legally available therefor on parity with each other, prior and in preference to and satisfied before, any dividend or distribution on any other class or series of shares. Such dividends shall accrue from day to day and shall not be cumulative. Such dividends shall be payable only when, as, and if, declared by the unanimous consent of the board of directors of the Company.

If and when declared by the board of directors of the Company, (i) the holders of Series B preferred shares will be entitled to dividends in preference to any dividend on any other class or series of shares; (ii) the holders of Series A preferred shares will be entitled to dividends in preference to any dividend on any other class or series of shares (other than the Series B preferred shares); and (iii) the holder of Series Pre-A preferred shares will be entitled to dividends in preference to any dividend on any other class or series of shares (other than the Series B preferred shares and the Series A preferred shares).

The holders of preferred shares shall also be entitled to participate on an as converted-basis pro-rata in any dividends or distributions paid to the holders of ordinary shares.

(b) **Conversion rights**

The holders of the preferred shares shall have the following rights with respect to the conversion of the preferred shares into Class B ordinary shares.

Optional Conversion

Subject to the requirements of the Companies Law of the Cayman Islands, as amended, and every statutory modification or re-enactment thereof for the time being in force, each series of preferred shares may, at the option of the holders thereof, be converted in whole or in part at any time into fully-paid and non-assessable Class B ordinary shares based on the then-effective respective conversion price of each series, respectively.

Automatic Conversion

Without any action being required by the preferred shareholders and whether or not the certificates representing such shares are surrendered to the Company or its transfer agent, each of the Series Pre-A, A-1, A-2 and B preferred shares shall automatically be converted into Class B ordinary share(s) (i) upon the closing of [REDACTED] as defined below, or (ii) on the date specified by written consent or agreement of the holders of at least a majority of the then outstanding each series of preferred shares voting together as a separate class on an as-converted basis, based on the then-effective each series' conversion price.

Conversion Price

Subject to the provisions of the adjustments to conversion price in accordance with the article of association, the "Series Pre-A, A-1, A-2 and B conversion price" initially shall be the original Series Pre-A, A-1, A-2 and B issue price, and shall be subject to adjustment from time to time, respectively.

(c) **Redemption features**

At any time commencing from the fifth (5th) anniversary of the 18 April 2017 if [REDACTED] has not occurred, one or more holders holding more than a majority of then outstanding Series B preferred shares may request the Company, via delivery of a written notice to redeem, and the Company shall redeem, up to all or any portion of the outstanding Series B Preferred Shares (the "Series B Redemption"), out of funds legally available therefor including capital, at a redemption price per applicable Series B preferred share, payable in cash, equal to the original Series B issue price, plus interest equal to 12% per annum compounded annually from the original Series B issue date to the date that full payment is received and all dividends accrued and unpaid with respect thereto (the "Series B Redemption Price").

Subject to the prior payment in full of the Series B Redemption Price to the holders of Series B preferred shares, at any time commencing from the fourth (4th) anniversary of the 14 June 2016 if [REDACTED] has not occurred, one or more holders holding more than a majority of the then outstanding Series A preferred shares may request the Company, via delivery of a written notice to redeem, and the Company shall redeem, up to all or any portion of the outstanding Series A preferred shares (the "Series A Redemption"), out of funds legally available therefor including capital, at a redemption price per applicable Series A preferred share, payable in cash, equal to the original Series A-1 issue price or the original Series A-2 issue price, as the case may be, plus interest equal to 12% per annum compounded annually from the original Series A-1 issue date or the original Series A-2 issue date, as the case may be, to the date that full payment is received and all dividends accrued and unpaid with respect thereto (the "Series A Redemption Price").

Subject to the prior payment in full of the Series B Redemption Price and the Series A Redemption Price to the holders of Series A Preferred Shares, at any time commencing from the third (3rd) anniversary of the 14 June 2016, one or more holders holding more than a majority of then outstanding Series Pre-A Preferred Shares may request the Company, via delivery of a written notice to redeem, and the Company shall redeem, up to all or any portion of the outstanding Series Pre-A Preferred Shares (the "Series Pre-A Redemption"), out of funds legally available therefor including capital, at a redemption price per applicable Series Pre-A Preferred Share, payable in cash, equal to the Original Series Pre-A issue price plus interest equal to 12% per annum compounded annually from the Original Series Pre-A issue date to the date that full payment is received and all dividends accrued and unpaid with respect thereto.

(d) **Liquidation Preferences**

Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any deemed liquidation event according to the articles of association of the Company, all assets and funds of the Company legally available for distribution to the members of the Company (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed to the members as follows:

Each holder of each series of preferred shares shall be entitled to receive, on a pari passu basis within that series, an amount per preferred share then held by such holder equal to two times of the respective original issue price of each series, plus any declared but unpaid dividends with respect thereto (as adjusted for any share splits, share dividends, combinations, recapitalisations and similar transactions) (the "Liquidation Preference Amount"), subject to the liquidation order as below: first to holders of Series B preferred shares, second to Series A (including Series A-1 and A-2) preferred shares. If, upon any such liquidation, the assets of the Company shall be insufficient to make payment to such holders in full of the Liquidation Preference Amount for that series, then such assets shall be distributed among the holders of that series, ratably in proportion to the full amounts to which they would otherwise be respectively entitled thereon, subject to the above liquidation preference order.

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in statements of profit or loss.

The fair value losses of approximately RMB3,053,000, RMB35,405,000 and RMB134,443,000 are recognised in the consolidated statements of profit or loss for the years ended 31 December 2015, 2016 and 2017, respectively.

The movement of preferred shares during the Relevant Periods is as follows:

	RMB'000
At 1 January 2015	5,921
Fair value loss on preferred shares	3,053
Exchange realignment	453
At 31 December 2015	9,427
Issuance of Series A-1, A-2 preferred shares	16,995
Fair value loss on preferred shares	35,405
Exchange realignment	2,840
At 31 December 2016	64,667
Issuance of Series B preferred shares	71,705
Fair value loss on preferred shares	134,443
Exchange realignment	(10,871)
At 31 December 2017	259,944

The fair values of preferred shares as at the end of each of the Relevant Periods were valued by an independent third party valuer (the "Valuer"). The equity value allocation model is used to determine the fair values of the preferred shares as of the dates of issuance and at the end of each reporting period.

Total equity values of the Company at 31 December 2015, 2016, 2017 are estimated by the Valuer using the DCF method. Key inputs used in valuing total equity value by the DCF Method mainly include weighted average cost of capital ("WACC") and terminal growth rate and etc.. In addition, a discount due to lack of marketability ("DLOM") is used in arriving at the total equity value after DLOM.

The key inputs of the above valuing methods are detailed as follows:

	As at 31 December		
	2015	2016	2017
Discount rate	23%	21%	19%
Terminal growth rate	3%	3%	3%
DLOM	21%	22%	23%
Risk-free interest rate	1.2%	1.6%	2.1%
Expected volatility	58.4%	56.4%	55.5%

Discount rate was estimated by weighted average cost of capital as of each valuation date. The Group estimated the risk-free interest rate based on the yield of US Government Bond with maturity life close to [REDACTED] date as of valuation date plus country risk spread. The DLOM estimated based on the option-pricing method. Under option-pricing method, the cost of put option which can hedge the price change before the private held share can be sold, was considered as a determine the lack of marketability discount. Volatility was estimated based on annualised deviation of daily stock price return of comparable companies for a period from the respective value date and with similar span as time to expiration. Probability weight under each of the redemption feature and liquidation preferences was based on the Group's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance are also factored into the determination of the fair value of Preferred Shares on each valuation date.

Below is a summary of significant unobservable inputs to the valuation of preferred shares together with a quantitative sensitivity analysis:

31 December 2015

	Increase in	**Increase/ (decrease) in fair value of preferred shares**	**Decrease in**	**Increase/ (decrease) in fair value of preferred shares**
	percentage point	*RMB'000*	*percentage point*	*RMB'000*
Discount rate	1	(434)	1	481
Expected volatility	5	(315)	5	268

31 December 2016

	Increase in	**Increase/ (decrease) in fair value preferred shares**	**Decrease in**	**Increase/ (decrease) in fair value of preferred shares**
	percentage point	*RMB'000*	*percentage point*	*RMB'000*
Discount rate	1	(2,088)	1	2,460
Expected volatility	5	(1,124)	5	1,260

31 December 2017

	Increase in	Increase/ (decrease) in fair value of preferred shares	Decrease in	Increase/ (decrease) in fair value of preferred shares
	percentage point	*RMB'000*	*percentage point*	*RMB'000*
Discount rate	1	(15,371)	1	17,541
Expected volatility	5	(2,732)	5	2,481

26. CONVERTIBLE BONDS AND WARRANTS

The movements of the convertible bonds and warrants for the year ended 31 December 2016 and 2017 are set out below:

	Notes	Convertible Bonds	Warrants
		RMB'000	*RMB'000*
At 1 January 2015		—	—
Issued during the year		—	—
At 31 December 2015		—	—
Issued during the year	(a)(b)	12,240	11,760
Fair value losses		—	4,748
Interest expense		1,710	—
Exchange realignment		—	959
At 31 December 2016		13,950	17,467
Issued during the year	(c)	8,044	9,151
Fair value losses		—	16,239
Interest expense		3,303	—
Exchange realignment		—	(1,499)
At 31 December 2017		25,297	41,358

Except for warrants issued under a share-based payment transaction (note 35(a)), the warrants were classified as derivative financial liabilities measured at fair value on initial recognition and subsequently measured at fair value with changes in fair value through profit or loss; and the convertible bonds as mentioned in the following, which were included in the current liabilities, were classified as financial liabilities measured at amortised cost.

No warrants were exercised and no convertible bonds were converted during the years ended 31 December 2015, 2016 and 2017.

Since the date of incorporation till 31 December 2017, the Company has granted several rounds of warrants to certain investors. For details, please refer to below table:

	Date of grant	Type of shares	Number of underlying shares (before share split)*	Number of underlying shares (after share split)*	Exercise price
Gionee (HK) Communication Equipment Limited ("Gionee") (a)	1 March 2016	Class B ordinary shares	78,547	3,927,350	US$0.637 per share for 78,547 Class B ordinary share before share split; or US$0.01 per share for 3,927,350 Class B ordinary share after split conditional on the fulfillment of certain obligations by Gionee under the cooperation agreement.
Shenshang Xingye Venture Captial Limited ("Shenshang VC") (b)	1 March 2016	Series A-1 preferred shares	56,821	2,841,050	US$35.20 per share for 56,821 Series A-1 preferred shares before share split; or US$0.70 per share for 2,841,050 Series A-1 preferred shares after share split.
Made In China Ltd. ("MIC") (b)	1 March 2016	Series A-1 preferred shares	56,821	2,841,050	US$35.20 per share for 56,821 Series A-1 preferred shares before share split; or US$0.70 per share for 2,841,050 Series A-1 preferred shares after share split.
Ningbo New Summit Private Equity Fund I L.P. ("China Creation Ventures") (c)	18 April 2017	Series B preferred shares	42,104	2,105,200	US$59.3637 per share for 42,104 Series B preferred shares before share split; or US$1.19 per share for 2,105,200 Series B preferred shares after share split.

Notes:

* Pursuant to the shareholders' resolution passed on 15 November 2017, every share of the issued convertible redeemable preferred shares is subdivided into 50 shares.

Notes:

Note 1 Issuance of Warrants and Convertible Bonds

(a) ***Gionee Warrants***

On 1 March 2016, the Company entered into ordinary shares purchase agreements with Gionee, pursuant to which the Company issued warrants to Gionee which is entitled to purchase up to 78,547 Class B ordinary shares of the Company at an Exercise Price of US$0.637 per share, conditional on the fulfillment of the obligations by Gionee in accordance with the terms and conditions of the cooperation agreements between the Gionee and the Group.

(b) ***Shenshang VC and MIC Warrants and Convertible Bonds***

On 1 March 2016, the Company entered into a preferred shares purchase agreement with Shenshang VC, pursuant to which (i) the Company issued a warrant to Shenshang VC, or its designated persons as agreed in written by the Company, which is entitled to purchase from the Company up to 56,821 Series A preferred shares of the Company, at an Exercise Price of US$35.20, amounting to an aggregate purchase price of up to US dollar equivalent to RMB12,000,000; and (ii) Shenshang VC designated Shenzhen Shenshang Xingye Venture Capital Fund Partnership (L.P.) (the "Shenshang Xingye") and the Company designated Huanju Times, and Shenshang Xingye and Huanju Times signed a separate agreement, according to which Shenshang Xingye subscribed the convertible bond denominated in RMB of RMB12,000,000 issued by Huanju Times. The convertible bond issued to Shenshang Xingye bears interest at a rate of 12% per annum, due in five years from the date of issuance and shall be repaid upon maturity, if not converted, with repayment of loan as well as the unpaid accrued interest.

On 1 March 2016, the Company entered into a preferred shares purchase agreement with MIC, pursuant to which (i) the Company issued a warrant to MIC, or its designated persons as agreed in written by the Company, which is entitled to purchase from the Company up to 56,821 Series A preferred shares of the Company, at an exercise price of US$35.20, amounting to an aggregate purchase price of up to US dollar equivalent to RMB12,000,000; and (ii) MIC designated Shanghai Zhonglu Investment Management Center L.P. (the "Zhonglu") and the Company designated Huanju Times, and Zhonglu and Huanju Times signed a separate agreement, according to which Zhonglu subscribed the convertible bond denominated in RMB of RMB12,000,000 issued by Huanju Times. The convertible bond issued to Zhonglu is interest free and due in five years from the date of issuance, if not converted.

(c) ***New Submit Warrants and Convertible Bonds***

On 18 April 2017, the Company entered into a preferred shares purchase agreement with New Submit, pursuant to which (i) the Company issued a warrant to New Submit, or its designated person as agreed in writing by the Company, which is entitled to purchase from the Company up to 42,104 Series B preferred shares of the Company, at an exercise price of US$59.3637 for a total consideration amounting up to US$2,500,000; and (ii) a convertible bond agreement was signed between China Creation Ventures, a company designated by China Creation Ventures, and Huanju Times, a company designated by the Company. The five-year convertible bonds with a principal amount of RMB17,195,500 bear interest at a compound interest rate of 8% per annum and shall be repaid upon maturity, if not converted, with repayment of loan as well as the unpaid accrued interest.

The preferred shares purchase agreements signed between the Company, MIC, Shenshang VC and New Submit, respectively, are collectively referred to as the "Warrants Agreements". The warrant issued to Gionee, MIC, Shenshang VC and New Submit, respectively, is individually referred as the "Warrant" and are collectively referred as the "Warrants".

The Class B ordinary shares, Series A-1 preferred shares or Series B preferred shares issuable upon exercise of the Warrants and the exercise price per Series A-1 preferred shares, Series B preferred shares or Class B ordinary shares, as adjusted from time to time pursuant to the provisions of the Warrants, are referred to as the "Warrant Shares" and the "Exercise Price", respectively.

The convertible bond agreements signed between Huanju Times and Zhonglu, Shenshang Xingye and China Creation Ventures respectively, are collectively referred to the "Convertible Bond Agreements". The convertible bonds issued to Zhonglu, Shenshang Xingye and China Creation Ventures respectively, are referred to the "Convertible Bonds".

Gionee, MIC, Shenshang VC and New Submit or its designated person as agreed in writing by the Company are collectively referred as the "Registered Holder".

Note 2 Conditions for Exercise of the Warrants

The aggregate Exercise Price payable in respect of the total Warrant Shares purchased upon such exercise is collectively referred as the Purchase Price.

(a) ***Gionee Warrants***

Only after fulfillment of all of the following conditions, the Warrants may be exercised by the Registered Holder, respectively in whole, by surrendering the Warrants, with the purchase/exercise form duly executed by the Registered Holder: (i) the Gionee group has duly performed its obligations under the renewed cooperation agreement; (ii) the aggregate Exercise Price payable in respect of the total Warrants Share purchased upon such exercise has been made in full by Gionee or its authorized person(s).

(b) ***Shenshang VC and MIC Warrants and Convertible Bonds***

Only after fulfillment of all of the following conditions, the Warrants may be exercised by MIC or Shenshang VC, respectively in whole, by surrendering the Warrants, with the purchase/exercise form duly executed by such Registered Holder: (i) Huanju Times has received the full loan amount of RMB12,000,000 lent by Zhonglu or Shenshang Xingye in accordance with the Convertible Bond Agreements; (ii) the loan of RMB12,000,000 lent by Zhonglu or Shenshang Xingye has not converted into equity interest in Huanju Times; (iii) the Company has repaid or resolves to repay the loan of RMB12,000,000 to Zhonglu or Shenshang Xingye according to the terms of the Convertible Bond Agreements and other agreements between the parties; (iv) the Purchase Price has been made in full by MIC and Shenshang VC or their its authorized person(s); and (v) Zhonglu and Shenshang Xingye, or MIC and Shenshang VC, shall, if applicable, have obtained all approval, filings and consents from all relevant governmental authorities regarding its exercise of the Warrants and subscription of the Warrant Shares. The failure to fulfill any of the above (i) to (v) conditions shall not trigger the exercise of the Warrants.

(c) ***China Creation Ventures Warrants***

Only upon (i) China Creation Ventures, or its designated person as agreed in writing by the Company ("China Creation Ventures Warrants Exerciser"), has completed the outbound investment filing under the PRC law; (ii) the Purchase Price has been made in full by China Creation Ventures Warrants Exerciser; (iii) has received the loan in RMB equivalent of US$2,500,000 extended by China Creation Ventures pursuant to the convertible bonds agreement entered into by and between the Huanju Times and China Creation Ventures dated April 18, 2017, this Warrant may be exercised by China Creation Ventures Warrants Exerciser, by surrendering this Warrant, with the purchase/exercise form duly executed by China Creation Ventures Warrants Exerciser or by such China Creation Ventures Warrants Exerciser's duly authorised attorney, at the principal office of the Company, or at such other office or agency as the Company may designate.

Note 3 Termination of the Warrants and the Convertible Bonds

(a) ***Gionee Warrants***

The Warrants issued to Gionee (and the rights to purchase securities upon exercise thereof) shall terminate upon the earliest of the following: (i) immediately upon the Waive Notice; (ii) the date on which the renewed cooperation agreement is duly terminated in written by all relevant parties thereof; and (iii) the date on which the Contractual Arrangements are duly terminated in written by all related parties thereof.

(b) ***Shenshang VC, MIC Warrants, China Creation Ventures Warrant and the Convertible Bonds***

Among others, the major termination term is, the Warrants issued to MIC, Shenshang VC and China Creation Ventures Warrant (and the rights to purchase securities upon exercise thereof) shall terminate upon the earliest of the following: (i) immediately upon the Waive Notice; (ii) the conversion of Convertible Bonds into the equity interests in Huanju Times; and (iii) the date on which the Contractual Arrangements are duly terminated in written by all related parties thereof.

Note 4 Conversion Rights of the Convertible Bonds

Pursuant to the Convertible Bond Agreements, the Convertible Bonds can be converted to Huanju Times' equity interests when the following conditions are met: (i) all relevant parties has agreed to deconsolidate Huanju Times by termination of the Contractual Arrangements; (ii) the Warrants holders have agreed to waive the exercise of the Warrants permanently by surrendering their Warrants to the Company and providing a waiver notice; and (iii) Huanju Times agreed that the Registered Holders could convert the Convertible Bond into the equity interests in Huanju Times with a written notice.

The fair values of warrants as at the end of each of the Relevant Periods were valued by an independent third party valuer (the "Valuer"). The equity value allocation model is used to determine the fair values of the warrants as of the dates of issuance and at the end of each reporting period. The valuation model as well as the parameters were the same as those used in the valuation of preferred shares.

The fair values of convertible bond as issuance date were valued by the Valuer. The key inputs in the valuation was the discount rate in assessing the fair value as of issuance date.

Below is a summary of significant unobservable inputs to the valuation of convertible bonds together with a quantitative sensitivity analysis:

31 December 2016

	Increase in	**Increase/ (decrease) in fair value of preferred shares**	**Decrease in**	**Increase/ (decrease) in fair value of preferred shares**
	percentage point	*RMB'000*	*percentage point*	*RMB'000*
Discount rate	1	(445)	1	466

31 December 2017

	Increase in	**Increase/ (decrease) in fair value of preferred shares**	**Decrease in**	**Increase/ (decrease) in fair value of preferred shares**
	percentage point	*RMB'000*	*percentage point*	*RMB'000*
Discount rate	1	(322)	1	338

27. SHARE CAPITAL

Company

	Notes	Authorised	Issued							
		Number of shares	Number of ordinary shares	Total par value of ordinary shares	Number of Class A ordinary shares	Total par value of Class A ordinary shares	Number of Class B ordinary shares	Total par value of Class B ordinary shares	Number of preferred shares	Total par value of preferred shares
		'000	*'000*	*RMB*	*'000*	*RMB*	*'000*	*RMB*	*'000*	*RMB*
As at 1 January 2015, 31 December 2015 and 1 January 2016	(a)	500,000	1,000	—*	—	—	—	—	125	76
Issuance of Class A ordinary shares	(b)	—	(1,000)	—*	1,000	—*	—	—	—	—
Transfer to class B ordinary shares and cancelled Class A ordinary shares	(c)	—	—	—	(451)	—*	451	—*	—	—
Issuance of Class B ordinary shares	(d)	—	—	—	—	—	164	107	—	—
Issuance of preferred shares — Series A-1	(e)	—	—	—	—	—	—	—	57	37
Issuance of preferred shares — Series A-2	(f)	—	—	—	—	—	—	—	21	14
As at 31 December 2016		500,000	—	—	549	—*	615	107	203	127
Issuance of preferred shares — Series B	(g)	—	—	—	—	—	—	—	177	122
Share split by 1:50#	(h)	24,500,000	—	N/A	26,908	N/A	30,138	N/A	18,601	N/A
Issuance of Class B ordinary shares	(i)	—	—	—	—	—	3,806	50	—	—
As at 31 December 2017		250,000,000	—	—	27,457	—*	34,559	157	18,981	249

Notes:

The Company was incorporated as an exempted company with limited liability under the laws of Cayman Islands on 7 November 2014 with an authorised share capital of US$50,000 divided into 500,000,000 shares with a par value of US$0.0001 each.

(a) On 7 November 2014, the Company issued 999,999 ordinary shares to Wanka Media Limited, a company wholly-owned by Mr. Gao Dinan, and one ordinary share to Offshore Incorporations (Cayman) Limited, which was transferred to Wanka Media Limited on the same day.

(b) On 1 March 2016, the Company redesignated the above mentioned 1,000,000 ordinary shares to 1,000,000 Class A ordinary shares.

(c) On 6 April 2016, Wanka Media Limited transferred 425,597 Class A ordinary shares to Countryside Tech Inc., a Company wholly-owned by Mr. ZhengWei, a director of the Company with nil consideration and at the same time, 425,597 Class B ordinary shares were issued to Countryside Tech Inc. and 425,597 Class A ordinary shares were cancelled. On 14 June 2016, Wanka Media Limited transferred 25,262 Class A ordinary shares to Northern Light Venture Capital IV. Ltd., and 25,262 Class B ordinary shares were issued to Northern Light Venture Capital IV. Ltd. and 25,262 Class A ordinary shares were cancelled.

(d) On 3 May 2016 and 10 June 2016, the Company issued 79,998 and 84,208 Class B ordinary shares to certain mobile phone manufacturers, respectively. For details information, please refer to note 35(a).

(e) On 1 March 2016, the Company issued 56,821 Series A-1 redeemable preferred shares with a par value of US$0.0001 each to an investor at a price of US$35.2 per share with an aggregate consideration of US$2,000,000, equivalent to approximately RMB12,987,000.

(f) On 1 March 2016, the Company issued 20,946 Series A-2 redeemable preferred shares with a par value of US$0.0001 each to an investor at a price of US$30.8 per share with an aggregate consideration of US$[●], equivalent to approximately RMB4,000,000.

(g) On 18 April 2017, the Company issued 176,837 Series B redeemable preferred shares with a par value of US$0.0001 each to certain investors at a price of US$59.38 per share with an aggregate consideration of US$10,500,000, equivalent to approximately RMB71,705,000.

(h) On 15 November 2017, every share of the issued shares is subdivided into 50 shares.

(i) On 15 November 2017, the Company issued 3,806,206 Class B ordinary shares to a mobile phone manufacturer. For details information, please refer to note 35(a).

A summary of the movements in the Company's share capital was as follows:

	Number of shares in issue	Issued share capital*	Share premium account	Total
		RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015, 31 December 2015 and 1 January 2016	1,000,000	—*	—	—
Issuance of new shares	164,206	—*	10,454	10,454
At 31 December 2016 and 1 January 2017	1,164,206	—*	10,454	10,454
Share split by 1:50	57,046,094	—*	—	—
Issuance of new shares	3,806,026	—*	27,479	27,479
At 31 December 2017	62,016,326	—*	37,933	37,933

* The amount is less than RMB1,000.

\# Pursuant to the shareholders' resolution passed on 15 November 2017, each of the issued and unissued shares was subdivided into 50 shares of the Company.

28. SHARE BASED PAYMENTS

(a) Share option scheme

The Group adopted the share incentive plan on 31 March 2016 ("Share Incentive Plan"), under which employees render serivce as consideration for equity instruments (restricted shares awards ("RSUs") and options) of the Company.

The fair value of the services received in exchange for the grant of the equity instruments (RSUs and options) is recognized as an expense on the consolidated statements of profit or loss with an increase in equity.

The following table shows share options outstanding under the Share Incentive Plan during the years ended 31 December 2015, 2016 and 2017, and their weighted average exercise prices ("WAEP"):

	2015 Number of share options	2015 WAEP US$ per share	2016 Number of share options	2016 WAEP US$ per share	2017 Number of share options	2017 WAEP US$ per share
Outstanding at 1 January	—	—	—	—	69,336	0.0001
Granted during the year	—	—	69,336	0.0001	25,463	0.0001
Before share split	—	—	69,336	0.0001	94,799	0.0001
Share split by 1:50	—	—	—	—	4,645,145	0.000002
Granted during the year after share split	—	—	—	—	431,074	0.000002
Forfeited during the year	—	—	—	—	(22,910)	0.000002
Outstanding at 31 December	—	—	69,336	0.0001	5,148,108	0.000002
Exercisable at 31 December	—	—	—	0.0001	—	0.000002

No options were exercised under the Share Incentive Plan during the years ended 31 December 2016 and 2017.

The Company operates the Share Incentive Plan for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the Share Incentive Plan include the Company's directors and certain employees of the Group. The Share Incentive Plan became effective on 31 March 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares which may be issued upon exercise of all share options to be granted under the Share Incentive Plan and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 31 March 2016. The maximum number of shares issuable under share options in aggregate is 125,000. On 15 November 2017, each of the issued and unissued shares was subdivided into 50 shares of the Company and accordingly, the number of shares issuable in the Share Incentive Plan was enlarged to 6,250,000 and exercise price was decreased to US$0.000002.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The exercise prices, estimated vesting periods and exercise periods of the share options outstanding as at the end of each Relevant Periods are as follows:

31 December 2016

Date of grant	Number of options	Exercise price*	Vesting date	Exercise period
(yyyy/mm/dd)		*US$ per share*	*(yyyy/mm/dd)*	*(yyyy/mm/dd)*
2016/03/31	12,188	0.0001	2018/07/31	2018/08/01 to 2026/03/31
2016/03/31	10,000	0.0001	2018/08/21	2018/08/22 to 2026/03/31
2016/03/31	2,520	0.0001	2018/06/20	2018/06/21 to 2026/03/31
2016/03/31	8,540	0.0001	2018/08/31	2018/09/01 to 2026/03/31
2016/03/31	2,292	0.0001	2018/03/31	2018/04/01 to 2026/03/31
2016/03/31	5,558	0.0001	2019/03/01	2019/03/02 to 2026/03/31
2016/03/31	889	0.0001	2018/08/31	2018/09/01 to 2026/03/31
2016/03/31	687	0.0001	2018/09/25	2018/09/26 to 2026/03/31
2016/03/31	458	0.0001	2019/05/03	2019/05/04 to 2026/03/31
2016/03/31	458	0.0001	2019/04/14	2019/04/15 to 2026/03/31
2016/03/31	1,779	0.0001	2019/07/19	2019/07/20 to 2026/03/31
2016/03/31	458	0.0001	2019/09/15	2019/09/16 to 2026/03/31
2016/03/31	1,375	0.0001	2019/09/13	2019/09/14 to 2026/03/31
2016/03/31	4,582	0.0001	2019/09/15	2019/09/16 to 2026/03/31
2016/03/31	7,040	0.0001	2019/10/07	2019/10/08 to 2026/03/31
2016/03/31	2,292	0.0001	2019/11/08	2019/11/09 to 2026/03/31
2016/03/31	889	0.0001	2018/09/25	2018/09/26 to 2026/03/31
2016/03/31	458	0.0001	2018/11/16	2018/11/17 to 2026/03/31
2016/03/31	6,873	0.0001	2018/08/17	2018/08/18 to 2026/03/31
Total	69,336			

* On 15 November 2017, the Company split its shares into 1: 50 (the "Share Split") and accordingly, the shares issuable under Share Incentive Plan was enlarged to 6,250,000 and the exercise price was decreased to US$0.000002. The number of options as at 31 December 2016 is before the Share Split.

31 December 2017

Date of grant	Number of options	Exercise price*	Vesting date	Exercise period
(yyyy/mm/dd)		*US$ per share*	*(yyyy/mm/dd)*	*(yyyy/mm/dd)*
2016/03/31	609,400	0.000002	2018/07/31	2018/08/01 to 2026/03/31
2016/03/31	500,000	0.000002	2018/08/21	2018/08/22 to 2026/03/31
2016/03/31	126,011	0.000002	2018/06/20	2018/06/21 to 2026/03/31
2016/03/31	427,001	0.000002	2018/08/31	2018/09/01 to 2026/03/31
2016/03/31	114,600	0.000002	2018/03/31	2018/04/01 to 2026/03/31
2016/03/31	277,877	0.000002	2019/03/01	2019/03/02 to 2026/03/31
2016/03/31	44,469	0.000002	2018/08/31	2018/09/01 to 2026/03/31
2016/03/31	34,350	0.000002	2018/09/25	2018/09/26 to 2026/03/31
2016/03/31	22,900	0.000002	2019/05/03	2019/05/04 to 2026/03/31
2016/03/31	22,900	0.000002	2019/04/14	2019/04/15 to 2026/03/31
2016/03/31	88,939	0.000002	2019/07/19	2019/07/20 to 2026/03/31
2016/03/31	22,900	0.000002	2019/09/15	2019/09/16 to 2026/03/31
2016/03/31	68,750	0.000002	2019/09/13	2019/09/14 to 2026/03/31
2016/03/31	229,100	0.000002	2019/10/07	2019/10/08 to 2026/03/31
2016/03/31	352,000	0.000002	2019/11/08	2019/11/09 to 2026/03/31
2016/03/31	114,550	0.000002	2018/09/25	2018/09/26 to 2026/03/31
2016/03/31	44,470	0.000002	2018/11/16	2018/11/17 to 2026/03/31
2016/03/31	343,661	0.000002	2018/08/17	2018/08/18 to 2026/03/31
2017/06/30	44,470	0.000002	2020/09/30	2020/10/01 to 2026/03/31
2017/06/30	44,470	0.000002	2020/04/25	2020/04/26 to 2026/03/31
2017/06/30	44,470	0.000002	2020/05/15	2020/05/16 to 2026/03/31
2017/06/30	15,000	0.000002	2020/11/29	2020/11/30 to 2026/03/31
2017/06/30	15,000	0.000002	2021/11/25	2021/11/26 to 2026/03/31
2017/06/30	15,000	0.000002	2020/05/29	2020/05/30 to 2026/03/31
2017/06/30	20,000	0.000002	2021/02/10	2021/02/11 to 2026/03/31
2017/06/30	25,000	0.000002	2021/08/15	2021/08/16 to 2026/03/31
2017/06/30	20,000	0.000002	2020/05/29	2020/05/30 to 2026/03/31
2017/06/30	15,000	0.000002	2021/01/03	2021/01/04 to 2026/03/31
2017/06/30	177,877	0.000002	2021/04/08	2021/04/09 to 2026/03/31
2017/06/30	22,900	0.000002	2021/05/28	2021/05/29 to 2026/03/31
2017/06/30	35,576	0.000002	2020/12/20	2020/12/21 to 2026/03/31
2017/06/30	20,000	0.000002	2021/06/21	2021/06/22 to 2026/03/31
2017/06/30	30,000	0.000002	2021/03/05	2021/03/06 to 2026/03/31
2017/06/30	50,000	0.000002	2021/07/10	2021/07/11 to 2026/03/31
2017/06/30	500,000	0.000002	2021/08/31	2021/09/01 to 2026/03/31
2017/06/30	20,000	0.000002	2021/08/06	2021/08/07 to 2026/03/31
2017/06/30	22,900	0.000002	2021/10/13	2021/10/14 to 2026/03/31

Date of grant	Number of options	Exercise price*	Vesting date	Exercise period
(yyyy/mm/dd)		*US$ per share*	*(yyyy/mm/dd)*	*(yyyy/mm/dd)*
2017/06/30	5,000	0.000002	2021/12/11	2021/12/12 to 2026/03/31
2017/06/30	20,000	0.000002	2021/01/20	2021/01/21 to 2026/03/31
2017/06/30	20,000	0.000002	2021/01/12	2021/01/13 to 2026/03/31
2017/06/30	20,000	0.000002	2021/09/05	2021/09/06 to 2026/03/31
2017/06/30	5,000	0.000002	2021/09/20	2021/09/21 to 2026/03/31
2017/06/30	11,455	0.000002	2018/08/17	2018/08/18 to 2026/03/31
2017/06/30	11,553	0.000002	2022/01/25	2022/01/26 to 2026/03/31
2017/06/30	42,485	0.000002	2020/10/25	2020/10/26 to 2026/03/31
2017/12/31	11,450	0.000002	2022/01/25	2022/01/26 to 2026/03/31
2017/12/31	11,450	0.000002	2022/01/25	2022/01/26 to 2026/03/31
2017/12/31	11,450	0.000002	2022/01/11	2022/01/12 to 2026/03/31
2017/12/31	141,650	0.000002	2022/01/03	2022/01/04 to 2026/03/31
2017/12/31	20,000	0.000002	2022/05/20	2022/05/21 to 2026/03/31
2017/12/31	133,408	0.000002	2022/06/11	2022/06/12 to 2026/03/31
2017/12/31	30,000	0.000002	2022/05/12	2022/05/13 to 2026/03/31
2017/12/31	20,000	0.000002	2022/03/24	2022/03/25 to 2026/03/31
2017/12/31	30,000	0.000002	2022/06/08	2022/06/09 to 2026/03/31
2017/12/31	10,000	0.000002	2022/03/04	2022/03/05 to 2026/03/31
2017/12/31	3,333	0.000002	2022/06/03	2022/06/04 to 2026/03/31
2017/12/31	3,333	0.000002	2022/05/26	2022/05/27 to 2026/03/31
2017/12/31	5,000	0.000002	2022/02/21	2022/02/22 to 2026/03/31
Total	5,148,108			

* On 15 November 2017, the Company split its shares into 1:50 and accordingly, the shares issuable under the Share Incentive Plan was enlarged to 6,250,000 and the exercise price was decreased to US$0.000002. The number of options as at 31 December 2017 is after the Share Split.

The Group has used the discounted cash flow method to determine the underlying value of the Company and adopted equity allocation model to determine the fair value of the underlying ordinary shares. Key assumptions, such as discount rate and projections of future performance, are determined by the Group with best estimate.

Based on the fair value the underlining ordinary shares, the Group has adopted the Hull-White Enhanced ESO Valuation model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

	As at		
	31 March 2016	**30 June 2017**	**31 December 2017**
Dividend yield (%)	0	0	0
Expected volatility (%)	60.11	56.35	56.57
Risk-free interest rate(%)	1.78	0	3.92
Expected forfeiture rate(%)	0-2	0-2	0-2

The fair value of each granted shares at each grant date was US$9.7804, US$21.2634, US$1.0889 per share as at 31 March 2016, 30 June 2017 and 31 December 2017, respectively. Under the Share Incentive Plan, the Group recognised share-based payment expenses of RMB502,000, RMB1,344,000, and RMB1,866,000 during the years ended 31 December 2015, 2016 and 2017, respectively.

The expected life of the options is based on the best estimation of management of the Company and is not necessarily indicative of the exercise patterns that may occur. The expected forefeiture rate and volatility reflects the assumption that the historical forfeiture rate and volatility of companies in the same industry is indicative of future trends, which may also not necessarily be the actual outcome.

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

At 31 December 2017, the Company had 5,148,108 share options outstanding under the Share Incentive Plan. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 5,148,108 additional ordinary shares of the Company.

(b) **Awarded shares to a director**

On 6 April 2016, Wanka Media Limited ("Wanka Media"), a company wholly-owned by Mr. Gao Dinan, director of the Company, transferred 425,597 Class A ordinary shares of the Company to Countryside Tech Inc., a company wholly-owned by Mr. Zheng Wei, director of the Company, at nil consideration. The transaction was regarded as awarded shares to compensate Mr. Zheng's service rendered to the Group, and share-based payment expenses of RMB26,953,000 was recorded in the consolidated statements of profit or loss during the year ended 31 December 2016.

29. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM A SUBSIDIARY

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	—#	—#	—#
Due from a subsidiary	18,837	43,629	216,265
Deemed investment arising from share-based compensation	502	28,799	30,665
	19,339	72,428	246,930

The amount is less than RMB1,000.

The amount due from a subsidiary is unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amount due from a subsidiary is considered as part of the Company's net investment in the subsidiary.

Particulars of the principal subsidiaries are included in note 1 to the Historical Financial Information.

30. RESERVES

(a) **Group**

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on pages I-7 to I-9.

(b) **Company**

Year ended 31 December 2015

	Issued capital	Employee share-based compensation reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000 (Note 27)	*RMB'000 (Note 28)*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	—	—	(4)	(198)	(202)
Loss for the year	—	—	—	(2,658)	(2,658)
Other comprehensive loss for the year					
Exchange differences	—	—	(711)	—	(711)
Total comprehensive loss for the year	—	—	(711)	(2,658)	(3,369)
Equity-settled share option arrangements	—	502	—	—	502
At 31 December 2015	—*	502	(715)	(2,856)	(3,069)

* No capital had been injected into the Company as at 31 December 2015.

Year ended 31 December 2016

	Issued capital	Share premium account	Capital reserve	Employee share-based compensation reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000 (*Note 27*)	*RMB'000* (*Note 27*)	*RMB'000* (*Note 28*)	*RMB'000* (*Note 28*)	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	—	—	—	502	(715)	(2,856)	(3,069)
Loss for the year	—	—	—	—	—	(44,936)	(44,936)
Other comprehensive loss for the year							
Exchange differences	—	—	—	—	(3,754)	—	(3,754)
Total comprehensive loss for the year	—	—	—	—	(3,754)	(44,936)	(48,690)
Issue of shares	—*	10,454	3,634	—	—	—	14,088
Equity-settled share option arrangements	—	—	—	28,297	—	—	28,297
At 31 December 2016	—*	10,454	3,634	28,799	(4,469)	(47,792)	(9,374)

* The amount is less than RMB1,000.

Year ended 31 December 2017

	Share capital	Share premium account	Capital reserve	Employee share-based compensation reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000 (*Note 27*)	*RMB'000* (*Note 27*)	*RMB'000* (*Note 28*)	*RMB'000* (*Note 28*)	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	—*	10,454	3,634	28,799	(4,469)	(47,792)	(9,374)
Loss for the year	—	—	—	—	—	(150,709)	(150,709)
Other comprehensive income for the year							
Exchange differences	—	—	—	—	15,822	—	15,822
Total comprehensive loss for the year	—	—	—	—	15,822	(150,709)	(134,887)
Issue of shares	—*	27,479	—	—	—	—	27,479
Equity-settled share option arrangements	—	—	—	1,866	—	—	1,866
At 31 December 2017	—*	37,933	3,634	30,665	11,353	(198,501)	(114,916)

* The amount is less than RMB1,000.

31. BUSINESS COMBINATION

In 2016, the Group acquired 55% equity interest in Beijing Jingzhe Century Information Technology Co., Ltd. ("Beijing Jingzhe") from its original shareholders. Beijing Jingzhe is a game operation Company. The acquisition was made as part of the Group's strategy to expand into game operation in Mainland China. The purchase consideration for the acquisition is RMB275,000.

The fair values of the identifiable assets and liabilities of Beijing Jingzhe as at the date of acquisition were as follows:

	Note	Fair value recognised on acquisition
		RMB'000
Cash and bank balances		70
Accounts payable		(125)
Other payables		(260)
Total identifiable net liabilities at fair value		(315)
Non-controlling interests		142
Goodwill arising on acquisition	15	448
Satisfied by other payables		275

The fair values of the accounts receivable and other receivables as at the date of acquisition amounted to nil and nil, respectively. The gross contractual amounts of accounts receivable and other receivables were RMB57,000 and RMB200,000, respectively, of which accounts receivable of RMB57,000 and other receivable of RMB200,000 are expected to be uncollectible.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of these subsidiaries is as follows:

	RMB'000
Cash consideration	—
Cash and bank balances acquired	70
Net inflow of cash and cash equivalents included in cash flows from investing activities	70

Since the acquisition, Beijing Jingzhe contributed RMB149,000 to the Group's revenue and loss of RMB54,000 to the consolidated loss for the year ended 31 December 2016. Had the combination taken place at the beginning of 2016, the revenue of the Group and the loss of the Group for 2016 would have been RMB40,737,000 and RMB98,212,000, respectively.

32. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, the Group and the Company did not have any significant contingent liabilities.

33. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises under operating leases arrangements, with lease negotiated from terms ranging from 5 to 55 months. The Group had total future minimum lease payments under non-cancellable operating leases with its terms falling due as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Within one year	481	841	1,206
In the second to fifth years, inclusive	1,241	444	2,556
Total	1,722	1,285	3,762

The Company has no operating lease commitments under any operating leases arrangements.

34. CAPITAL COMMITMENTS

At the end of each of the Relevant Periods, the Group and the Company had no significant capital commitments.

35. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) **Major non-cash transactions**

(i) On 3 May 2016, the Company issued 79,998 Class B ordinary shares to a mobile phone manufacturer for a total cash consideration of US$50,000 (US$0.625 per share) and entered into a strategic cooperation agreement with the mobile phone manufacturer. The transaction was regarded as an equity-settled transaction and the Group recorded the difference of RMB4,776,000 between the then fair value of the Class B ordinary share and the considerations received to cost of sales as no qualified asset was recognised.

(ii) On 1 March 2016, the Company issued a warrant to a mobile phone manufacturer. Pursuant to the contract, the mobile phone manufacturer can exercise the warrants to purchase up to 78,547 Class B ordinary shares on the conditions that the phone manufacturer (i) paid exercise price of US$0.637 per Class B ordinary share; and (ii) executed a renewed

cooperation agreement signed by the mobile phone manufacturer and the Group. The transaction was regarded as an equity-settled transaction and the Group recorded the difference of RMB3,634,000 between the then fair value of the warrant and the consideration received to cost of sales.

(iii) On 10 June 2016, the Company issued 84,208 Class B ordinary shares to a mobile phone manufacturer for a total cash consideration of US$8 and entered into a cooperation agreement with the mobile phone manufacturer. The transaction was regarded as an equity-settled transaction and the Group recorded the difference of RMB5,402,000 between the then fair value of the Class B ordinary shares and the cash consideration received to cost of sales.

(iv) On 15 November 2017, the Company issued 3,806,026 Class B ordinary shares to a mobile phone manufacturer for a total cash consideration of US$1,142 and entered into a strategic cooperation agreement with the phone manufacturer to obtain certain commercial resources of the mobile phone manufacturer. The transaction was regarded as an equity-settled transaction. The Group recognised the commcercial resources obtained from the cooperation agreement an intangible asset of RMB20,152,000 (note 14), with its fair value at initial recognition determined based on the valuation result performed by an independent third party valuer. The difference of RMB7,312,000 between the then fair value of the Class B ordinary shares and the cash consideration and assets received by the Group was recorded to cost of sales.

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

The reconciliation between the opening and closing balances in the consolidated statements of financial position for liabilities arising from financing activities, which provides the information included in the consolidated statements of cash flows, is as follows:

	Other payables	Preferred shares
	RMB'000	*RMB'000*
At 1 January 2015	1,769	5,921
Changes from financing cash flows		
Loan from third parties	16,000	—
Advance injection of preferred shares	12,987	—
Other changes	—	
Other changes recorded in operating cash flow	(540)	—
Purchase of Property, plant and equipment recorded in investing cash flow	(111)	—
Fair value change of preferred shares	—	3,053
Exchange realignment	—	453
At 31 December 2015	30,105	9,427

	Other payables	Preferred shares	Convertible bonds	Warrants
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	30,105	9,427	—	—
Changes from financing cash flows:				
Repayment of loan from a third party	(4,000)	—	—	
Proceeds from issuance of convertible bond	—	—	12,000	—
Proceeds from issuance of preferred shares	—	4,008	—	—
Other changes:				
Proceeds from issuance of warrants	—	—	(11,760)	11,760
Transfer to convertible bonds from other payables	(12,000)	—	12,000	—
Transfer to preferred shares	(12,987)	12,987	—	—
Convertible bond interest expense	—	—	1,710	—
Fair value changes	—	35,405	—	4,748
Purchase of property, plant and equipment recorded in investing cash flows	(112)	—	—	—
Acquisition of a subsidiary	260	—	—	—
Unpaid investment consideration unpaid	275	—	—	—
Other changes recorded in operating cash flows	1,294	—	—	—
Exchange realignment	—	2,840	—	959
At 31 December 2016	2,835	64,667	13,950	17,467

	Other payables	Preferred shares	Convertible bonds	Warrants	Interest-bearing bank borrowings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	2,835	64,667	13,950	17,467	—
Changes from financing cash flows:					
Loan from bank	—	—	—	—	10,000
Proceeds from issuance of convertible bonds	—	—	17,195	—	—
Advance injection of preferred shares	60,523	—	—	—	—
Capital injection of registered shareholders of a subsidiary	8,000	—	—	—	—
Proceeds from issuance of preferred shares	—	71,705	—	—	—
Loans from employees	3,480	—	—	—	—
Interest expense paid	—	—	—	—	(151)
Other changes:					
Purchase of property, plant and equipment	(34)	—	—	—	—
Changes related to operating cash flows	25,851	—	—	—	—
Convertible bonds interest expense	—	—	3,303	—	—
Bank borrowing interest expense	—	—	—	—	151
Interest expense related to loans to employees	74	—	—	—	—
Proceeds from issuance of warrants	—	—	(9,151)	9,151	—
Unpaid investment consideration	225	—	—	—	—
Fair value changes	—	134,443	—	16,239	—
Exchange realignment	—	(10,871)	—	(1,499)	—
At 31 December 2017	100,954	259,944	25,297	41,358	10,000

36. RELATED PARTY TRANSACTIONS

(a) There were no related party transactions during each of the years ended 31 December 2015, 2016 and 2017 except the details stated below.

(b) The balances with the director as disclosed in note 18 and note 22 are interest-free and are repayable within one year.

In addition, as disclosed in note 24, the Group's bank loans of RMB10,000,000 as at 31 December 2017 are secured by a property held by a director and guaranteed by two directors and their spouses.

(c) **Compensation of key management personnel of the Group**

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	461	563	837
Equity-settled share option expenses	188	477	503
Pension scheme contributions	62	73	112
Total compensation paid to key management personnel	711	1,113	1,452

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

	As at 31 December 2015		
	Financial assets at fair value through profit or loss	**Loans and receivables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	20,000	—	20,000
Accounts receivable	—	5,032	5,032
Financial assets included in prepayments, deposits and other receivables	—	154	154
Cash and bank balances	—	13,495	13,495
	20,000	18,681	38,681

	As at 31 December 2016		
	Financial assets at fair value through profit or loss	**Loans and receivables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	9,500	—	9,500
Accounts receivable	—	16,316	16,316
Financial assets included in prepayments, deposits and other receivables	—	397	397
Cash and bank balances	—	8,157	8,157
	9,500	24,870	34,370

	As at 31 December 2017		
	Financial assets at fair value through profit or loss	**Loans and receivables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Accounts receivable	—	182,608	182,608
Financial assets included in prepayments, deposits and other receivables	—	36,918	36,918
Cash and bank balances	—	11,490	11,490
	—	231,016	231,016

Financial liabilities

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost			
Accounts payable	4,947	13,879	52,576
Financial liabilities included in other payables			
- non-current portion	12,987	275	61,023
- current portion	16,338	740	29,993
Interest-bearing bank borrowings	—	—	10,000
Convertible bonds	—	13,950	25,297
	34,272	28,844	178,889

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss			
Preferred shares	9,427	64,667	259,944
Warrants	—	17,467	41,358
	9,427	82,134	301,302
Total	43,699	110,978	480,191

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments not measured at fair value at the end of each of the Relevant Periods, other than those with carrying amounts that reasonably approximate to fair values largely due to the short term maturities of these instruments, are as follows:

Financial liabilities

	Carrying amounts		
	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities included in other payables			
- non-current portion	12,987	275	61,023
Convertible bonds	—	13,950	25,297
	12,987	14,225	86,320

	Fair values		
	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities included in other payables			
- non-current portion	12,987	275	61,023
Convertible bonds	—	13,835	34,268
	12,987	14,110	95,291

Management has assessed that the fair values of cash and cash equivalents, accounts receivable, accounts payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

The following methods and assumptions were used to estimate the fair values:

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

The fair values of the convertible bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar term, credit risk and remaining maturities.

There were no assets and liabilities measured at fair value except wealth management financial products, preferred shares and warrants as at 31 December 2015, 2016 and 2017. For the valuation techniques used and the key inputs to the valuation, please refer to notes 19, 25 and 26 to the Historical Financial Information.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RM$'000*
Financial assets at fair value through profit or loss	—	20,000	—	20,000

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RM$'000*
Financial assets at fair value through profit or loss	—	9,500	—	9,500

Liabilities measured at fair value:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RM$'000*
Preferred shares	—	—	9,427	9,427

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RM$'000*
Preferred shares	—	—	64,667	64,667
Warrants	—	—	17,467	17,467
	—	—	82,134	82,134

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RM$'000*
Preferred shares	—	—	259,944	259,944
Warrants	—	—	41,358	41,358
	—	—	301,302	301,302

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

Below is a movement analysis of level 3 financial liabilities measured at fair value as at 31 December 2015, 2016 and 2017.

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Preferred shares and warrants			
At beginning of year	5,921	9,427	82,134
Additions	—	28,755	76,657
Fair value losses recognised in profit or loss	3,053	40,153	150,682
Exchange realignment	453	3,799	(8,171)
At end of year	9,427	82,134	301,302

The Company engages an independent third party valuer to evaluate at least once a year the fair values of the financial instruments whose fair value measurements use significant unobservable inputs (Level 3). The financial instruments of the Group whose fair value measurements use significant unobservable inputs include preferred shares and warrants.

Key inputs used in valuing the financial instruments whose fair value measurements use Level 3 mainly include the terminal growth rates, WACC, terminal growth rate, DLOM and other assumptions. Please refer to notes 25 and note 26 for further details.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, account receivables, other receivables, financial assets at fair value through profit or loss, other payables, preferred shares, warrants, convertible bonds. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on minimising potential adverse effects of these risks, with material impact, on the Group's financial performance. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Foreign currency risk

The Group mainly operates in Mainland China with most of the Group's monetary assets, liabilities and transactions principally denominated in Renminbi and United States dollars. The Group has not used any derivative to hedge its exposure to foreign currency risk.

The following table indicates the approximate change in the Group's loss before tax and the Group's equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of each of the Relevant Periods with all other variables held constant:

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in loss before tax	Increase/ (decrease) in deficiency in assets*
	%	*RMB'000*	*RMB'000*
31 December 2015			
If the Renminbi Yuan weakens against the United States dollar	(5)	(1,683)	316
If the Renminbi Yuan strengthens against the United States dollar	5	1,683	(316)
31 December 2016			
If the Renminbi Yuan weakens against the United States dollar	(5)	(794)	380
If the Renminbi Yuan strengthens against the United States dollar	5	794	(380)
31 December 2017			
If the Renminbi Yuan weakens against the United States dollar	(5)	(563)	15,562
If the Renminbi Yuan strengthens against the United States dollar	5	563	(15,562)

* Excluding retained earnings.

(b) **Credit risk**

The Group has no significant concentration of credit risk. The carrying amount of the accounts receivable represents the Group's maximum exposure to credit risk in relation to such financial assets. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk of the Group's other financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(c) **Liquidity risk**

The Group's policies are to maintain sufficient cash and cash equivalents and to have available funding through available sources of finances to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2015

	On demand	Less than 1 year	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts payable	—	4,947	—	4,947
Financial liabilities included in other payables				
- non-current portion	—	—	12,987	12,987
- current portion	—	16,338	—	16,338
	—	21,285	12,987	34,272

31 December 2016

	On demand	Less than 1 year	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts payable	—	13,776	103	13,879
Financial liabilities included in other payables				
- non-current portion	275	—	—	275
- current portion	—	740	—	740
Convertible bonds	13,950	—	—	13,950
	14,225	14,516	103	28,844

31 December 2017

	On demand	Less than 1 year	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts payable	—	52,428	148	52,576
Financial liabilities included in other payables				
- non-current portion	61,023	—	—	61,023
- current portion	—	29,993	—	29,993
Interest-bearing bank borrowings	—	10,524	—	10,524
Convertible bonds	25,297	—	—	25,297
	86,320	92,945	148	179,413

In addition to the above maturity profile of the Group's financial liabilities, upon written notice of the respective majority holders of each series of the preferred shares, the Company has an obligation to redeem all or a portion of each series of preferred shares at the respective issue price of each series plus accrued and unpaid interest, if "[REDACTED]" is not consummated before the agreed time i.e., June 2019, June 2020 and April 2022. The maximum undiscounted contractual redemption payments associated with preferred shares as at 31 December 2017 is approximately RMB162,667,000.

(d) **Capital management**

The Group's primary objectives for managing capital are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratio in order to support its business and maximise shareholders' value.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debts. In the opinion of the directors of the Company, the Group's capital risk is low. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using current ratio, which is total current assets divided by total current liabilities. The current ratios at the end of the Relevant Periods is as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Total current assets	38,911	34,785	287,815
Total current liabilities	22,345	30,598	135,858
Current ratio	174%	114%	212%

40. EVENTS AFTER THE REPORTING PERIOD

On 30 January 2018 and 24 May 2018, the Company entered into share purchase agreements with certain investors, pursuant to which, the Company agreed to issue, and these investors agreed to subscribe for 3,423,613 Series B+ preferred shares and 580,984 Series C preferred shares at a total consideration of approximately US$9.2 million and US$5 million, respectively, among which, US$9.2 million (approximately RMB60,523,000 note 22) was prepaid by investor in 2017.

In March 2018, the Group acquired Shanghai ChiLe Information Technology Co., Ltd. and its subsidiaries from Beijing Jinchi Guangxin Technology Co,. Ltd, which was settled via issuance 12,024,632 Class B ordinary shares of the Company.

On 24 May 2018, the Group adopted the RSU Scheme to amend and restate the Share Incentive Plan as adopted on 31 March 2016. Pursuant to the RSU Scheme, the maximum number of shares underlying the RSU is 6,250,000 Class B ordinary shares.

On 30 January 2018, the Company issued to an insurance company a convertible promissory note in principal amount of US$10 million with annual interest rate of 5%. On 30 May 2018, the insurance company fully converted its note to subscribe for 4,086,057 Class B ordinary shares.

On 25 January 2018, the Company issued a warrant to an investor, in consideration for which, the investor provided to Sichuan Wanka Huanju a convertible loan of RMB21 million with annual interest rate of 10% convertible into the equity interests of Sichuan Wanka Huanju. On May 21, 2018, KIP Bright fully exercised its warrant to subscribe for 605,993 Series B+ preferred shares, accordingly, KIP Bright terminated this convertible loan.

On 30 May 2018, those warrants holders as disclosed in note 26 exercised their Warrants to subscribe for respective Class B ordinary shares and preferred shares and the corresponding Convertible Bonds agreements were terminated accordingly.

On 28 May 2018, the Company obtained banking facilities of RMB60 million from a bank. As of the date of the report, the Company has drawn down a bank loan of RMB30 million.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries now comprising the Group in respect of any period subsequent to 31 December 2017.

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF SHANGHAI CHILE INFORMATION TECHNOLOGY CO., LTD. (THE "TARGET COMPANY") AND ITS SUBSIDIARIES (TOGETHER, THE "TARGET GROUP")

Pre-acquisition financial information of the Target Group for the period from 1 January 2015 to 31 December 2017 (the "Pre-acquisition Period") has been prepared in accordance with the accounting policies as set out below. This information is referred hereafter as "Financial Information of the Target Group".

1. FINANCIAL INFORMATION OF THE TARGET GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Section III	Year ended 31 December		
	Notes	2015	2016	2017
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	2.2	90,347	83,985	66,173
Cost of sales		(22,571)	(30,410)	(23,058)
Gross profit		67,776	53,575	43,115
Other income	2.2	61	367	2,089
Selling and distribution expenses		(1,037)	(1,964)	(3,746)
Research and development costs		(5,969)	(5,417)	(2,690)
Administrative expenses		(1,705)	(4,547)	(7,924)
Other expenses and losses		(1)	—	(826)
PROFIT BEFORE TAX	2.3	59,125	42,014	30,018
Income tax expense	2.4	—	(4,939)	(4,757)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		59,125	37,075	25,261
Attributable to:				
Owners of the parent		59,125	37,075	25,261
Non-controlling interests		—	—	—
		59,125	37,075	25,261

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section III	As at 31 December		
	Notes	2015	2016	2017
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	2.6	1,066	1,180	1,365
Intangible assets	2.7	—	—	8
Deferred tax assets	2.8	—	—	103
Total non-current assets		1,066	1,180	1,476
CURRENT ASSETS				
Accounts receivable	2.9	17,104	39,705	42,013
Prepayments, deposits and other receivables	2.10	36	24,176	17,434
Financial assets at fair value through profit or loss	2.11	—	8,000	—
Cash and bank balances	2.12	19,290	14,673	21,601
Total current assets		36,430	86,554	81,048
CURRENT LIABILITIES				
Accounts payable	2.13	1,548	9,421	8,761
Other payables and accruals	2.14	838	3,115	4,051
Income tax payable		1,662	4,675	4,628
Total current liabilities		4,048	17,211	17,440
NET CURRENT ASSETS		32,382	69,343	63,608
TOTAL ASSETS LESS CURRENT LIABILITIES		33,448	70,523	65,084
Net assets		33,448	70,523	65,084
EQUITY				
Share capital		20,000	20,000	20,000
Reserves		13,448	50,523	45,084
Total equity		33,448	70,523	65,084

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2015

	Section III Note	Share capital	Statutory reserve funds	Retained profits	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015		61	532	4,791	5,384
Profit for the year and total comprehensive income for the year		—	—	59,125	59,125
Capital injection from shareholders		19,939	—	—	19,939
Transfer from retained profits		—	5,913	(5,913)	—
Final 2015 dividend paid	2.5	—	—	(51,000)	(51,000)
At 31 December 2015		20,000	6,445*	7,003*	33,448

Year ended 31 December 2016

	Share capital	Statutory reserve funds	Retained profits	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	20,000	6,445	7,003	33,448
Profit for the year and total comprehensive income for the year	—	—	37,075	37,075
Transfer from retained profits	—	3,555	(3,555)	—
At 31 December 2016	20,000	10,000*	40,523*	70,523

Year ended 31 December 2017

	Section III Notes	Share capital	Statutory reserve funds	Retained profits	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017		20,000	10,000	40,523	70,523
Profit for the year and total comprehensive income for the year		—	—	25,261	25,261
Final 2016 dividend paid	2.5	—	—	(24,500)	(24,500)
Final 2017 dividend paid	2.5	—	—	(6,200)	(6,200)
At 31 December 2017		20,000	10,000*	35,084*	65,084

* These reserve accounts comprise the consolidated reserves of RMB13,448,000, RMB50,523,000 and RMB45,084,000 as at 31 December 2015, 2016 and 2017 in the consolidated statements of financial position, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Section III	Year ended 31 December		
	Notes	2015	2016	2017
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		59,125	42,014	30,018
Adjustments for:				
Bank interest income	2.2	(61)	(212)	(68)
Investment income	2.2	—	(154)	(493)
Depreciation of property, plant and equipment	2.3	187	558	454
Impairment of accounts receivable	2.3	—	—	825
Amortisation of intangible assets	2.3	—	—	5
Loss on disposal of items of property, plant and equipment	2.3	—	—	1
		59,251	42,206	30,742
Increase in accounts receivable		(6,705)	(22,601)	(3,133)
Decrease/(increase) in prepayments, deposits and other receivables		246	(24,140)	6,742
Increase/(decrease) in accounts payable		(4,267)	7,873	(660)
Increase/(decrease) in other payables and accruals		183	2,391	1,046
Cash generated from operations		48,708	5,729	34,737
Interest received		61	212	68
Income tax paid		(128)	(1,926)	(4,907)
Net cash flows from operating activities		48,641	4,015	29,898
CASH FLOWS FROM INVESTING ACTIVITIES				
Income from financial assets at fair value through profit or loss	2.2	—	154	493
Purchase of financial assets at fair value through profit or loss		—	(8,000)	—
Redemption of financial assets at fair value through profit or loss		—	—	8,000
Additions to property, plant and equipment		(1,453)	(786)	(749)
Additions to intangible assets		—	—	(14)
Net cash flows from/(used in) investing activities		(1,453)	(8,632)	7,730
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital injection from shareholders		19,939	—	—
Dividends paid	2.5	(51,000)	—	(30,700)
Net cash flows used in financing activities		(31,061)	—	(30,700)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		16,127	(4,617)	6,928
Cash and cash equivalents at beginning of the year		3,163	19,290	14,673
CASH AND CASH EQUIVALENTS AT END OF YEAR		19,290	14,673	21,601
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	2.12	19,290	14,673	21,601
Cash and cash equivalents as stated in the statements of cash flows		19,290	14,673	21,601

2. NOTES TO THE FINANCIAL INFORMATION OF THE TARGET GROUP

2.1 PRINCIPAL ACCOUNTING POLICIES

The financial information of the Target Group has been prepared in accordance with the accounting policies set out in Section II, Note 2.3.

2.2 REVENUE, OTHER INCOME

Revenue represents the value of services provided.

An analysis of revenue, other income is as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Content distribution services	90,347	83,985	65,490
Mobile game services	—	—	683
	90,347	83,985	66,173
Other income			
Bank interest income	61	212	68
Taxes refund*	—	—	310
Investment income	—	154	493
Others	—	1	1,218
	61	367	2,089

Note:

* The Target Group received the refund of value-added tax and individual income tax during the Relevant Periods. There are no other unfulfilled conditions or contingencies relating to the refund.

2.3 PROFIT BEFORE TAX

The Target Group's profit before tax is arrived at after charging:

	Section III	Year ended 31 December		
	Notes	2015	2016	2017
		RMB'000	*RMB'000*	*RMB'000*
Cost of services		22,571	30,410	23,058
Depreciation	2.6	187	558	454
Amortisation of intangible assets	2.7	—	—	5
Loss on disposal of items of property, plant and equipment		—	—	1
Impairment of accounts receivable*	2.9	—	—	825
Minimum lease payments under operating leases		190	457	778
Employee benefit expense (including directors' and chief executive's remuneration):^				
Wages and salaries		732	3,042	7,215
Pension scheme contributions		194	791	1,798
		926	3,833	9,013

* Impairment of accounts receivable are included in "Other expenses and losses" in the consolidated statements of profit or loss.

^ Employee benefit expense is included in "Selling and distribution expenses" and "Administrative expenses" in the consolidated statements of profit or loss.

2.4 INCOME TAX

The income tax provision of the Target Group in respect of its operation in Mainland China was calculated at the tax rate of 25% on the assessable profits for the Pre-acquisition Periods, if applicable, based on the existing legislation, interpretations and practice in respect thereof, except for certain entities which are entitled to tax holidays and preferential tax rates.

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Current — Mainland China	—	4,939	4,860
Deferred tax (note 2.8)	—	—	(103)
	—	4,939	4,757

A reconciliation of the tax expense applicable to profit before tax at the statutory income tax rate applicable in Mainland China to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	59,125	42,014	30,018
Tax at the statutory tax rate (25%)	14,781	10,504	7,505
Lower tax rates for specific provinces or enacted by local authority	(13,689)	(5,293)	(2,748)
Expense not deductible for tax	46	49	65
Research and development tax credit	(1,138)	(321)	(65)
Tax charge at the Target Group's effective tax rate	—	4,939	4,757

2.5 DIVIDENDS

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Final dividend paid	51,000	—	30,700

The 2015 final dividend of RMB51,000,000 was approved by the Target Company's shareholders at the shareholders meeting held on 30 December 2015. The 2016 final dividend of RMB24,500,000 was approved by the Target Company's shareholders at the shareholders meeting held on 30 June 2017. The 2017 final dividend of RMB6,200,000 was approved by the Target Company's shareholders at the shareholders meeting held on 30 December 2017.

2.6 PROPERTY, PLANT AND EQUIPMENT

	Office devices	Transportation devices	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2015			
At 1 January 2015:			
Cost	12	—	12
Accumulated depreciation	(1)	—	(1)
Net carrying amount	11	—	11
At 1 January 2015, net of accumulated depreciation	11	—	11
Additions	229	1,013	1,242
Depreciation provided during the year (note 2.3)	(61)	(126)	(187)
At 31 December 2015, net of accumulated depreciation	179	887	1,066
At 31 December 2015:			
Cost	241	1,013	1,254
Accumulated depreciation	(62)	(126)	(188)
Net carrying amount	179	887	1,066
31 December 2016			
At 1 January 2016:			
Cost	241	1,013	1,254
Accumulated depreciation	(62)	(126)	(188)
Net carrying amount	179	887	1,066
At 1 January 2016, net of accumulated depreciation	179	887	1,066
Additions	672	—	672
Depreciation provided during the year (note 2.3)	(355)	(203)	(558)
At 31 December 2016, net of accumulated depreciation	496	684	1,180
At 31 December 2016:			
Cost	913	1,013	1,926
Accumulated depreciation	(417)	(329)	(746)
Net carrying amount	496	684	1,180

	Office devices	Transportation devices	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2017			
At 1 January 2017:			
Cost	913	1,013	1,926
Accumulated depreciation	(417)	(329)	(746)
Net carrying amount	496	684	1,180
At 1 January 2017, net of accumulated depreciation	496	684	1,180
Additions	112	528	640
Depreciation provided during the year (note 2.3)	(250)	(204)	(454)
Disposals	(1)	—	(1)
At 31 December 2017, net of accumulated depreciation	357	1,008	1,365
At 31 December 2017:			
Cost	1,022	1,541	2,563
Accumulated depreciation	(665)	(533)	(1,198)
Net carrying amount	357	1,008	1,365

2.7 INTANGIBLE ASSETS

	Software copyright
	RMB'000
31 December 2017	
At 1 January 2017:	
Net carrying amount	—
At 1 January 2017, net of accumulated amortisation	—
Additions	13
Amortisation provided during the year (note 2.3)	(5)
At 31 December 2017, net of accumulated depreciation	8
At 31 December 2017:	
Cost	13
Accumulated depreciation	(5)
Net carrying amount	8

2.8 DEFERRED TAX ASSETS

The movement in the Target Group's deferred tax assets is as follows:

	Provision on accounts receivable
	RMB'000
At 1 January 2017	—
Deferred tax charged to profit or loss during the year	103
Gross deferred tax assets at 31 December 2017	103

2.9 ACCOUNTS RECEIVABLE

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Accounts receivable	17,104	39,705	42,838
Impairment	—	—	(825)
Total	17,104	39,705	42,013

The Target Group's trading terms with its customers are partially on credit. For some customers, payments in advance are normally required. The credit period generally ranges from one to three months for major customers. Each customer has a maximum credit limit. The Target Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Target Group's accounts receivable relate to diversified customers, there is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its account receivable balances. Accounts receivable are non-interest-bearing.

An ageing analysis of the accounts receivable of the Target Group as at 31 December 2015, 2016 and 2017, based on the invoice date and net of provision, is as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	5,720	30,104	27,069
3 to 12 months	11,384	4,005	9,348
1 to 2 years	—	5,596	—
Over 2 years	—	—	5,596
	17,104	39,705	42,013

The movements in provision for impairment of accounts receivable of the Target Group are as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	—	—	—
Impairment losses recognised (note 2.3)	—	—	(825)
At end of year	—	—	(825)

The individually impaired accounts receivable relate to customers that were in financial difficulties or were in default in interest and/or principal payments and none of the receivables is not expected to be recoverable.

The ageing analysis of the accounts receivable that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	5,720	30,104	27,069
Past due but not impaired	11,384	9,601	14,944
	17,104	39,705	42,013

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Group. Based on past experience, the directors of the Target Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

2.10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	34	53	420
Deposits and other receivables	2	990	4,144
Due from an individual shareholder of then immediate holding company	—	20	149
Due from the then immediate holding company	—	23,113	12,721
	36	24,176	17,434
Impairment	—	—	—
Total	36	24,176	17,434

The outstanding balances due from the then immediate holding company and an individual shareholder of the immediate holding company are unsecured, interest-free and have no fixed term of repayment. The balances are neither past due nor impaired.

2.11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Wealth management product	—	8,000	—

The wealth management product can be redeemed on 90-day terms.

2.12 CASH AND BANK BALANCES

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	19,290	14,673	21,601
Cash and bank balances denominated in:			
- RMB	19,290	14,673	21,601

RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

2.13 ACCOUNTS PAYABLE

An ageing analysis of the Target Group's accounts payable at 31 December 2015, 2016 and 2017, based on the invoice date, is as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,548	9,421	8,761

The accounts payable of the Target Group are non-interest-bearing and are normally settled on terms of 0 to 30 days terms.

2.14 OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Payroll payable	322	518	1,816
Other payables	251	847	315
Other tax payables	265	1,750	1,920
	838	3,115	4,051

Other payables and accruals of the Target Group are non-interest-bearing and have an average term of three months.

2.15 CONTINGENT LIABILITIES

At 31 December 2015, 2016 and 2017, the Target Group did not have any significant contingent liabilities.

2.16 OPERATING LEASE ARRANGEMENTS

As lessee

The Target Group leases certain of its office premises under operating leases arrangements, with lease negotiated from terms ranging from 12 to 60 months. The Target Group had total future minimum lease payments under non-cancellable operating leases with its terms falling due as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Within one year	208	760	797
In the first to second year, indusive	208	797	270
In the second to fifth years, inclusive	450	270	—
Total	866	1,827	1,067

2.17 CAPITAL COMMITMENTS

In addition to the operating leases commitments detailed in note 2.16 above, no capital commitments for the Target Group.

2.18 RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in the Financial Information of the Target Group, the Target Group had the following material transactions with related parties during the Pre-acquisition Periods.

		Year ended 31 December		
		2015	2016	2017
		RMB'000	*RMB'000*	*RMB'000*
Transactions with related parties[#]:				
Provision of video product distribution services	(i)	—	4,717	—
Management service fee	(ii)	—	309	—
Research and development fee	(iii)	—	1,000	28

[#] Related parties include the immediate holding company and an individual shareholder of the immediate holding company of the Target Company.

Notes:

(i) The prices for the provision of video product distribution services were determined mutually agreed between the Group and the corresponding related party.

(ii) The management service fee paid to a related party is agreed between the Group and the related party with reference to the market rates.

(iii) The research and development fee paid to a related party is based on the mutually agreed terms.

(b) **Outstanding balances with related parties**

Other than those disclosed elsewhere in the Financial Information of the Target Group, the outstanding balances with related parties of the Target Group at 31 December 2015, 2016 and 2017 are as follows:

(i) As at 31 December 2016 and 2017, the Target Group had outstanding balances due from the immediate holding company of the Target Company of approximately RMB28,113,000 and RMB12,721,000, respectively.

(ii) As at 31 December 2016 and 2017, the Target Group had outstanding balances due from an individual shareholder of the immediate holding company approximately RMB20,000 and RMB149,000, respectively.

The outstanding balances with related parties disclosed in notes (i) to (ii) above are unsecured, interest-free and have no fixed term of repayment.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 7, 2014 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] with effect from the [REDACTED]. The following is a summary of certain provisions of the Articles:

(a) **Shares**

(i) ***Classes of shares***

The share capital of the Company consists of ordinary shares.

(ii) ***Variation of rights of existing shares or classes of shares***

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing

by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) ***Alteration of capital***

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) ***Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by [REDACTED] or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the [REDACTED] may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the [REDACTED], at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) ***Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the [REDACTED].

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) ***Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) ***Calls on shares and forfeiture of shares***

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate

not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) **Directors**

(i) ***Appointment, retirement and removal***

Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors. A majority of the Directors of the Company shall at all times be PRC Nationals.

At each annual general meeting, one third of the Directors for the time being (or if their number is not 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 shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

Subject to the Articles and the Law, and provided that (i) any person so elected has been proposed by a resolution passed by the Directors, and (ii) following any such election, a majority of the Directors shall be PRC Nationals, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board provided that following any such election, a majority of the Directors shall be PRC Nationals. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place, provided that following any such election, a majority of the Directors shall be PRC Nationals.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and

discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

The Company shall establish a Nomination Committee. Subject to the Terms of Reference of the Nomination Committee:

(i) the Nomination Committee shall comprise of three (3) members, each of them must be a Director, as elected by resolutions approved by a majority of the Board;

(ii) the Nomination Committee shall ensure that the majority of the Board will comprise of PRC Nationals at all times;

(iii) the quorum necessary for a meeting of the Nomination Committee shall be two (2), which must include the chairman of the Nomination Committee (the "**NC Chairman**");

(iv) any resolution of the Nomination Committee shall be approved by a simple majority of votes cast by such members of the Nomination Committee as, being entitled so to do, vote in person or by proxy at any duly convened and held meeting of the Nomination Committee;

(v) in the case of an equality of votes, the NC Chairman present at such meeting shall be entitled to a second or casting vote in addition to any other vote he may have; and

(vi) a resolution in writing signed by all the members of the Nomination Committee shall be as valid and effectual as if a resolution had been passed at a meeting of the Nomination Committee duly convened and held. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the members of the Nomination Committee and for this purpose a facsimile signature of a member of the Nomination Committee shall be treated as valid.

(ii) ***Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the [REDACTED] and without prejudice to any special rights or restrictions for the time being

attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) ***Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) ***Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) ***Remuneration***

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director

appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) ***Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) ***Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power

conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) **Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) **Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) **Meetings of members**

(i) ***Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) ***Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share

in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) ***Annual general meetings***

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the [REDACTED].

(iv) ***Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the [REDACTED]. Subject to compliance with Cayman Islands law and the rules of the [REDACTED], notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) ***Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) ***Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the [REDACTED], the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) **Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) **Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) **Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and

exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) **Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) **Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) **Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) **Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from [●].

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman

Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) **Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) **Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) **Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the [REDACTED]. Accordingly, for so long as [REDACTED], the Company is not required to maintain a beneficial ownership register.

(q) **Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability on November 7, 2014. Our registered office address is at Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws of the Cayman Islands and the Memorandum and Articles of Association. A summary of certain relevant provisions of its constitution and certain relevant aspects of the Cayman Companies Law is set out in Appendix III of this document.

We have established a place of business in Hong Kong at [●] and were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on [●] under the same address. Mr. CHAN Chi Keng has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company. The address for service of process is [●].

As at the date of this document, our Company's head office was located at 4/F, Building No. 6, Runfeng Deshang Yuan, So Anli Road, Chaoyang District, Beijing, PRC.

2. Changes in share capital of our Company

As of the date of incorporation, the authorized share capital of our Company was US$50,000 divided into 500,000,000 shares with a par value of US$0.0001 each. The following sets out the changes in our Company's share capital within two years immediately preceding the issue of this document:

(a) On April 18, 2017, our Company issued 84,208, 50,525, 25,262 and 16,842 series B preferred shares of our Company with par value of US$0.0001 each to ADV Startup Seed Fund I, L.P., Northern Light Venture Capital IV, Ltd., Investnet Finance Limited and KIP Overseas Expansion Platform Fund.

(b) On November 15, 2017, each of our issued and unissued share with a par value of US$0.0001 each was subdivided into 50 shares of our Company with a par value of US$0.000002 each, such that the authorized share capital of our Company was US$50,000 divided into 25,000,000,000 Shares of US$0.000002 par value each. On the same day, our Company issued 3,806,206 Class B Ordinary Shares of US$0.000002 per value each to Beyond Noble International Limited (向禦國際有限公司).

(c) On January 30, 2018, our Company issued 3,423,613 series B+ preferred shares of our Company with par value of US$0.000002 each to Richland China Limited Partnership.

(d) On March 12, 2018, our Company issued to Goodluckshome, Inc. 12,024,632 Class B Ordinary Shares with par value of US$0.000002 each.

(e) On May 24, 2018, our Company issued (1) 2,841,050 and 2,841,050 series A-1 preferred shares of our Company with par value of US$0.000002 each to Shenshang Xingye Venture Capital Limited and Made in China Ltd.; (2) 3,927,350, 4,086,057 and 6,250,000 Class B Ordinary Shares with par value of US$0.000002 each to Gionee (HK) Communication Equipment Limited, PICC Investment Fund SPC and Wanka Alliance Limited; (3) 2,105,200 series B preferred shares of our Company with par value of US$0.000002 each to Ningbo New Summit Private Equity Fund I L.P.; (4) 605,993 series B+ preferred shares of our Company with par value of US$0.000002 each to KIP Bright (Chengdu) Equity Investment Partnership (LP); and (5) 580,984 series C preferred shares of our Company with par value of US$0.000002 each to Richforest Global Investments Limited.

Immediately following the completion of the [REDACTED] (assuming no exercise of the [REDACTED] and taking into no account of any Shares to be issued upon exercise of any option that may be granted pursuant to the Post-[REDACTED] Share Option Scheme), our issued Shares will be [REDACTED] Shares, all fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

Immediately following the completion of the [REDACTED] (assuming full exercise of the [REDACTED] and taking into no account of any Shares to be issued upon exercise of any option that may be granted pursuant to the Post-[REDACTED] Share Option Scheme), our issued Shares will be [REDACTED] Shares, all fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

Save as disclosed above and in "— 3. Written resolutions of the Shareholders of our Company passed on [●]" in this section, there has been no alteration in our share capital within two years immediately preceding the date of this document.

3. Written resolutions of the Shareholders of our Company passed on [●]

On [●], resolutions of the Shareholders were passed that, among other things:

(1) each of our issued and unissued share of US$0.000002 par value was approved to be subdivided into 10 shares of our Company with a par value of US$0.0000002;

(2) conditional upon the satisfaction (or, if applicable waiver) of the conditions set out in "Structure of the [REDACTED] — Conditions of the [REDACTED] and pursuant to the terms set out therein:

(a) our Company approved and adopted the Memorandum and the Articles with effect conditional and immediately upon the [REDACTED];

(b) on the [REDACTED], all the issued and unissued Preferred shares, Class A Ordinary Shares and Class B Ordinary Shares of the Company were approved to be re-designated and re-classified as Shares of US$0.0000002 par value each, on a one-to-one basis, having the rights and restrictions as set out in the Memorandum and the Articles, after which, the authorized share capital of our Company will be US$50,000 divided into 250,000,000,000 with par value of US$0.0000002 each;

(c) the [REDACTED], the [REDACTED] and grant of the [REDACTED] were approved and any member of the executive committee were authorized to approve to allot and issue the [REDACTED] and the Shares as may be required to be allotted and issued upon the exercise of the [REDACTED] on and subject to the terms and conditions stated in this document and in the relevant [REDACTED];

(d) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of the Company to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) right issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares, (iii) the exercise of the options which may be granted under the Post-[REDACTED] Share Option Scheme, (iv) awards granted under the 2016 Share Incentive Scheme, or (iv) a specific authority granted by the Shareholder(s) in general meeting, shall not exceed the aggregate of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED]; and

(ii) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph below;

(e) a general unconditional mandate (the "Repurchase Mandate") was given to the Directors authorizing then to exercise all powers of our Company to repurchase Shares on the [REDACTED], or on any other [REDACTED] on which the Shares may be [REDACTED] (and which is recognised by the [REDACTED] and the [REDACTED] for the purpose) not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the [REDACTED] (excluding Shares which may be issued pursuant to the exercise of the [REDACTED] or any Shares which may be granted under the Post-[REDACTED] Share Option Scheme);

(f) the general unconditional mandate as mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted and issued or agreed to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above; and

Each of the general mandates referred to in paragraphs 2(d), 2(e) and 2(f), (f) and (g) above will remain in effect until whichever is the earliest of (the "Relevant Period"):

(i) the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions;

(ii) the expiration of the period within which our Company is required by any applicable law or the Memorandum and the Articles to hold our next annual general meeting; or

(iii) the date on which such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

4. Changes in share capital of the subsidiaries of our Company and the Consolidated Affiliated Entities

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to part II of the Accountants' Report set out in Appendix I to this document.

The following sets out changes in share capitals of subsidiaries of our Company and the Consolidated Affiliated Entities during the two years immediately preceding the date of this document:

(1) ***Wanka Huanju***

The registered capital of Wanka Huanju increased from US$3.6 million to US$14.1 million on May 22, 2017, and further increased to US$44.1 million on November 7, 2017 and US$62.3 million on February 8, 2018.

(2) ***Beijing Jingzhe***

The registered capital of Beijing Jingzhe increased from RMB500,000 to RMB1,000,000 on July 22, 2016.

On April 11, 2017 WANG Xiaogang (王曉剛), DONG Shaohui (董紹輝) and CHEN Xuelong (陳雪龍) transferred their 30%, 10% and 5% shares in Beijing Jingzhe to Huanju Times. After the transfer, Huanju Times held 100% shares in Beijing Jingzhe.

(3) ***Wanka Hainan***

On June 1, 2017, Wanka Hainan was incorporated with a registered capital of RMB5,000,000.

(4) ***Wanka Sichuan***

On November 20, 2017, Wanka Sichuan was incorporated with a registered capital of RMB5,000,000.

(5) ***Wanka Tianjin***

On June 9, 2017, Wanka Tianjin was incorporated with a registered capital of RMB5,000,000.

(6) ***Shanghai ChiLe***

On February 5, 2018, the registered capital of Shanghai ChiLe was increased from RMB20,000,000 to RMB40,816,327.

(7) ***Shanghai Langdao***

On July 27, 2016, Shanghai Langdao was incorporated with a registered capital of RMB10,000,000.

(8) ***Xinjiang ChiLe***

On September 26, 2016, Xinjiang ChiLe was incorporated with a registered capital of RMB5,000,000.

Save as disclosed above, there have been no changes in the share capital of any of the subsidiaries of our Company or Consolidated Affiliated Entities within two years immediately preceding the date of this document.

5. Repurchase by our Company of our own securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

(a) ***Provision of the Listing Rules***

The Listing Rules permit companies with a [REDACTED] on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with [REDACTED] must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [●], the Repurchase Mandate was given to our Directors, details of which are set out in "— A. Further Information about our Company — 3. Written resolution of the Shareholders of our Company passed on [●]."

(ii) *Source of Funds*

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Memorandum and Articles of Association and subject to the Cayman Companies Law. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Memorandum and Articles of Association and subject to the Cayman Companies Law.

(iii) *Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) *Status of Repurchased Shares*

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Companies Law.

(v) *Suspension of Repurchase*

A [REDACTED] company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a [REDACTED] company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a [REDACTED] company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the [REDACTED] company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a [REDACTED] company has breached the Listing Rules.

(vi) *Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) *Core Connected Persons*

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) ***Reasons for Repurchases***

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) ***Funding of Repurchases***

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles and the applicable laws and regulations of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles and subject to Cayman Companies Law, out of capital.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) ***General***

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED], but the [REDACTED] is not exercised and without taking into account any Shares to be allotted and issued upon the exercise of the options that may be granted under the Post-[REDACTED] Share Option Scheme, could accordingly result in up to approximately [REDACTED] Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum and Articles of Association or any other applicable laws to be held; or

- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Our Directors [have] undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR COMPANY'S BUSINESS

1. Summary of the Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this document and are or may be material:

(a) an exclusive call option agreement dated June 15, 2018 entered into among Wanka Huanju, Mr. Gao, Mr. Zheng and Huanju Times, pursuant to which Mr. Gao and Mr. Zheng agreed to grant Wanka Huanju an exclusive and irrevocable option to purchase from Mr. Gao and Mr. Zheng all or part of their equity interests in Huanju Times;

(b) an exclusive business cooperation agreement dated June 15, 2018 entered into between Wanka Huanju and Huanju Times, pursuant to which Huanju Times agreed to engage Wanka Huanju as the exclusive service provider to provide Huanju Times with technical support, consultation and other services in return for service fees;

(c) an equity pledge agreement dated June 15, 2018, entered into among Wanka Huanju, Mr. Gao, Mr. Zheng and Huanju Times, pursuant to which Mr. Gao and Mr. Zheng agreed to, among other things, pledge all of their existing and future equity interests in Huanju Times to Wanka Huanju;

(d) a power of attorney dated June 15, 2018, issued by Mr. Gao, accepted by Wanka Huanju and acknowledged by Huanju Times, pursuant to which Mr. Gao agreed to, among other things, exclusively authorize Wanka Huanju or its designated person(s) to exercise all of their rights as a shareholder of Huanju Times;

(e) a power of attorney dated June 15, 2018, issued by Mr. Zheng, accepted by Wanka Huanju and acknowledged by Huanju Times, pursuant to which Mr. Zheng agreed to, among other things, exclusively authorize Wanka Huanju or its designated person(s) to exercise all of their rights as a shareholder of Huanju Times;

(f) an exclusive call option agreement dated June 15, 2018 entered into among Wanka Huanju, Beijing JinChi, Mr. Gao and Shanghai ChiLe, pursuant to which Shanghai ChiLe agreed to grant Wanka Huanju an exclusive and irrevocable option to purchase from Beijing JinChi and Mr. Gao all or part of their equity interests in Huanju Times;

(g) an exclusive business cooperation agreement dated June 15, 2018 entered into between Wanka Huanju and Shanghai ChiLe, pursuant to which Shanghai ChiLe agreed to engage Wanka Huanju as the exclusive service provider to provide Shanghai ChiLe with technical support, consultation and other services in return for service fees;

(h) an equity pledge agreement dated June 15, 2018, entered into among Wanka Huanju, Mr. Gao and Shanghai ChiLe, pursuant to which Mr. Gao agreed to, among other things, pledge all of his existing and future equity interests in Shanghai ChiLe to Wanka Huanju;

(i) an equity pledge agreement dated June 15, 2018, entered into among Wanka Huanju, Beijing JinChi and Shanghai ChiLe, pursuant to which Beijing JinChi agreed to, among other things, pledge all of his existing and future equity interests in Shanghai ChiLe to Wanka Huanju;

(j) a power of attorney dated June 15, 2018, issued by Mr. Gao, accepted by Wanka Huanju and acknowledged by Shanghai ChiLe, pursuant to which Mr. Gao agreed to, among other things, exclusively authorize Wanka Huanju or its designated person(s) to exercise all of their rights as a shareholder of Shanghai ChiLe;

(k) a power of attorney dated June 15, 2018, issued by Beijing JinChi, accepted by Wanka Huanju and acknowledged by Shanghai ChiLe, pursuant to which Beijing JinChi agreed to, among other things, exclusively authorize Wanka Huanju or its designated person(s) to exercise all of their rights as a shareholder of Shanghai ChiLe;

(l) a share purchase agreement dated March 12, 2018, entered into among our Company, Goodluchshome Inc., Mr. HUA Xinjiang, Beijing JinChi, Shanghai ChiLe, Shanghai Langdao and Xinjiang ChiLe, pursuant to which Goodluchshome Inc. agreed to purchase for a total of 12,024,632 Class B Ordinary Shares in our Company for a total consideration of US$70,000,000;

(m) a share purchase agreement dated January 30, 2018, entered into among our Company and Richland China Limited Partnership, pursuant to which Richland China Limited Partnership agreed to purchase for a total of 3,423,613 Class B Ordinary Shares in our Company for a total consideration of US$9,262,500;

(n) a share purchase agreement dated April 18, 2017, entered into among our Company, Wanka Hong Kong, Wanka Huanju, Huanju Times, Mr. Gao, Wanka Media Limited, Mr. Zheng,

Countryside Tech Inc., ADV, NLVC, Investnet, KIP Overseas and China Creation Ventures, pursuant to which (1) ADV agreed to purchase for a total of 84,208 Series B Preferred Shares in our Company for a total consideration of US$5,000,000; (2) NLVC agreed to purchase for a total of 50,525 Series B Preferred Shares in our Company for a total consideration of US$3,000,000; (3) Investnet agreed to purchase for a total of 25,262 Series B Preferred Shares in our Company for a total consideration of US$1,500,000; (4) KIP Overseas agreed to purchase for a total of 16,842 Series B Preferred Shares in our Company for a total consideration of US$1,000,000; (5) China Creation Ventures agreed to purchase for a total of 42,104 Series B Preferred Shares in our Company for a total consideration of US$2,500,000;

(o) a share purchase agreement dated May 24, 2018, entered into among our Company and Meizu, pursuant to which Meizu agreed to purchase for a total of 3,806,206 Class B Ordinary Shares in our Company for a total consideration of US$1,142;

(p) a share purchase agreement dated May 24, 2018, entered into among our Company and Richforest Global Investment Limited, pursuant to which Richforest Global Investment Limited agreed to purchase for a total of 580,984 Series C Preferred Shares in our Company for a total consideration of US$5,000,000;

(q) a share purchase agreement dated May 29, 2018, entered into among our Company and PICCAMCHK, pursuant to which PICCAMCHK agreed to purchase for a total of 4,085,057 Class B Ordinary Shares in our Company for a total consideration of US$10,000,000;

(r) a note purchase agreement dated January, 2018, entered into among our Company, Wanka Media Limited, Countryside Tech Inc. and PICCAMCHK, pursuant to which PICCAMCHK agreed to purchase notes of our Company in the amount of US$10,000,000;

(s) a share purchase agreement dated January 30, 2018, entered into among our Company, Wanka Media Limited, Mr. Gao and NLVC, pursuant to which NLVC agreed to purchase for a total of 1,228,620 Class A Ordinary Shares in our Company for a total consideration of US$3,000,000;

(t) a note purchase agreement dated January 30, 2018, entered into among our Company and NLVC, pursuant to which NLVC agreed to purchase notes of our Company in the amount of US$3,000,000;

(u) a deed of termination in relation to the note purchase agreement dated May 24, 2018, entered into between our Company and NLVC, pursuant to which the parties agreed to terminate the note purchase agreement which was entered into between relevant parties on January 30, 2018;

(v) a trust deed dated May 24, 2018, entered into among our Company, The Core Trust Company Limited and Wanka Alliance Limited, in respect of the RSU scheme;

(w) a side letter dated May 24, 2018, entered into among Zhuhai Meizu Technology Co., Ltd. (珠海市魅族科技有限公司), Huanju Times and Mr. Gao, in respect of the strategic cooperation agreement which was entered into among relevant parties on September 1, 2017;

(x) a side letter dated May 24, 2018, entered into between Shenzhen Helong Technology Co., Ltd. (深圳市合龍科技有限公司) and Huanju Times, in respect of the strategic cooperation agreement which was entered into between relevant parties on May 16, 2016;

(y) a convertible bond agreement dated January 25, 2018, entered into among Wanka Sichuan, KIP Bright, Wanka Huanju, Huanju Times and Mr. Gao, pursuant to which KIP Bright agreed to purchase convertible bonds of our Company in the amount of RMB20,000,000;

(z) a warrant holders and shareholders agreement dated May 24, 2018, entered into among our Company, Wanka Hong Kong, Wanka Huanju, Huanju Times, Shanghai ChiLe, Mr. Gao, Wanka Media Limited, Mr. Zheng, Countryside Tech Inc., Series Pre-A Investor, Series A Investors, Series B Investors, Series B+ Investors, Ordinary B Investors and Series C Investor, relating to the transfer of shares in our Company and the management and operation of our Company;

(aa) the deed of trust dated May 24, 2018 entered into among our Company, The Core Trust Company Limited (匯聚信託有限公司) and Wanka Alliance Limited in connection with restricted share units rules of our Company; and

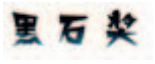
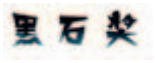
(bb) [REDACTED].

2. Intellectual Property Rights

a. *Trademarks*

As of the Latest Practicable Date, we have registered the following trademarks, which we consider to be material to the business of our Group:

No.	Trademark	Registered Owner	Registration Number	Place of Registration	Class	Registration Date	Expiry Date
1.		Huanju Times	14543530	PRC	38, 41, 42	June 28, 2015	June 27, 2025
2.		Huanju Times	14652565	PRC	38	August 14, 2015	August 13, 2025
3.		Huanju Times	14652713	PRC	42	August 14, 2015	August 13, 2025

No.	Trademark	Registered Owner	Registration Number	Place of Registration	Class	Registration Date	Expiry Date
4.		Huanju Times	14652714	PRC	41	August 14, 2015	August 13, 2025
5.		Huanju Times	15879054	PRC	42	February 7, 2016	February 6, 2026
6.		Huanju Times	19596106	PRC	38	May 28, 2017	May 27, 2027
7.		Huanju Times	19596108	PRC	16	May 28, 2017	May 27, 2027
8.		Huanju Times	19596109	PRC	9	May 28, 2017	May 27, 2027
9.		Wanka Huanju	18287964	PRC	41	December 21, 2016	December 20, 2026
10.		Wanka Huanju	18287963	PRC	42	February 21, 2017	February 20, 2027

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which we consider to be material to the business of our Group:

No.	Trademark	Applicant	Application Number	Place of Registration	Class	Application Date
1.		Our Company	304560886	Hong Kong	35, 36, 41, 45	June 12, 2018
2.		Our Company	304561047	Hong Kong	35, 36, 41, 45	June 12, 2018
3.		Our Company	304561056	Hong Kong	35, 36, 41, 45	June 12, 2018

b. ***Patents***

As of the Latest Practicable Date, we have no registered patents and have applied for the following patents:

No.	Patent	Category	Patentee(s)	Application Number	Place of Registration	Application Date	Current Status
1.	Method and Appliance of Rich Media Information Recommendation (富媒體資訊推送的方法及裝置)	Invention	Huanju Times	2016103268213	PRC	May 17, 2016	The application was announced and is under the process of substantive review.
2.	Method and Appliance of Recommending Media Information at Intelligent Terminals 智能終端投放媒體信息的方法及裝置	Invention	Huanju Times	2016104838040	PRC	June 27, 2016	The application was announced and is under the process of substantive review.

c. ***Copyrights***

As of the Latest Practicable Date, we have registered the following copyrights which we consider to be material to the business of our Group:

No.	Copyrights	Registration Number	Place of Registration	Registered Owner	Registration Date
1.	Wanka Huanju Mobile Platform Software [abbr. Wanka M Station] V1.0 (玩咖歡聚移動平臺軟件[簡稱:玩咖M站]V1.0)	2015SR205305	PRC	Huanju Times	October 24, 2015
2.	Wanka APP Software V1.0 (玩咖APP軟件V1.0)	2015SR205120	PRC	Huanju Times	October 24, 2015
3.	Wanka Huanju Content Edit Platform Software [abbr. Wanka Edit Platform] V1.0 (玩咖歡聚內容編輯平臺軟件[簡稱：玩咖編輯平臺] V1.0)	2015SR210852	PRC	Huanju Times	November 2, 2015
4.	Wanka Developer Service Platform Software V1.0 (玩咖開發者服務平臺軟件V1.0)	2015SR205307	PRC	Huanju Times	October 24, 2015
5.	Wanka SSP Media Platform V1.0 (玩咖SSP媒體平臺V1.0)	2018SR100904	PRC	Wanka Huanju	February 8, 2018

No.	Copyrights	Registration Number	Place of Registration	Registered Owner	Registration Date
6.	Wanka Jutou CPD Platform V1.0 (玩咖聚投CPD平臺V1.0)	2018SR100617	PRC	Wanka Huanju	February 8, 2018
7.	Wanka DMP Data Management Platform (玩咖DMP數據管理平臺V1.0)	2018SR100107	PRC	Wanka Huanju	February 8, 2018
8.	Wanka DSP Advertising Platform V1.0 (玩咖DSP廣告投放平臺V1.0)	2018SR100253	PRC	Wanka Huanju	February 8, 2018
9.	Wanka Advertising Exchange Platform V1.0 (玩咖ADX廣告交易平臺V1.0)	2018SR101667	PRC	Wanka Huanju	February 8, 2018

d. ***Domain Names***

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material to the business of our Group:

No.	Domain Name	Registered Owner	Registration Date	Expiry Date
1.	gm825.com	Huanju Times	February 11, 2014	February 11, 2019
2.	wankacn.com	Huanju Times	March 23, 2014	March 23, 2019
3.	mhacn.com	Huanju Times	September 24, 2014	September 24, 2019
4.	jingzheshiji.com	Beijing Jingzheshiji Information Technology Co., Ltd.	August 19, 2014	August 19, 2019
5.	wankaonline.com	Wanka Huanju	March 28, 2018	March 28, 2019

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

a. *Interests and short positions of the Directors and chief executive in the share capital of our Company and our associated corporations following the [REDACTED]*

Immediately following completion of the [REDACTED] (assuming no exercise of the [REDACTED] and taking no account of any Shares which may be allotted and issued pursuant

to the exercise of options that may be granted under the Post-[REDACTED] Share Option Scheme, the interests or short positions of the Directors and the chief executive in the Shares, underlying Shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, once the Shares are [REDACTED], will be as follows:

Interests in Shares or Underlying Shares

		As of the Latest Practicable Date		Upon the [REDACTED]	
				Approximate percentage of shareholding (Assuming no exercise of the [REDACTED] and taking into no amount of any Share to be issued upon exercise of any option that may be granted under the Post-[REDACTED] Share Option Scheme)	
Name	**Capacity/ Nature of interest**	**Number of Shares[(1)(2)]**	**Approximate percentage of Shareholding**	**Number of Shares[(1)]**	**Approximate percentage of shareholding**
Mr. Gao[(3)]	Interest in a controlled corporation; interest held jointly	47,508,280(L)	39.70%	475,082,800(L)	[REDACTED]%
Mr. Zheng[(4)]	Interest in a controlled corporation; interest held jointly	47,508,280(L)	39.70%	475,082,800(L)	[REDACTED]%
Mr. ZHU Jing[(5)]	Interest in controlled corporation	8,108,747(L)	6.78%	81,087,470(L)	[REDACTED]%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The number of shares are not adjusted for 2018 Share Subdivision.

(3) Mr. Gao is deemed to be interested in the entire Shares upon the [REDACTED] (i) held by Wanka Media Limited, a company wholly owned by him and is interested in 26,228,430 Shares with par value of US$0.000002 each as of the Latest Practicable Date; and (ii) Mr. Zheng and his wholly-owned company, Countryside Tech Inc., is interested in 21,279,850 Shares with par value of US$0.000002 each as of the Latest Practicable Date as they are parties acting in concert.

(4) Mr. Zheng is deemed to be interested in the entire Shares upon the [REDACTED] (i) held by Countryside Tech Inc., a company wholly owned by him and is interested in 21,279,850 Shares with par value of US$0.000002 each as of the Latest Practicable Date; and (ii) Mr. Gao and his wholly-owned company, Wanka Media Limited, is interested in 26,228,430 Shares with par value of US$0.000002 each as of the Latest Practicable Date as they are parties acting in concert.

(5) Mr. ZHU Jing is deemed to be interested in the entire interests upon the [REDACTED] held by (1) Shenshang VC, a company controlled by Mr. ZHU Jing and is interested in 2,841,050 Shares with par value of US$0.000002 each as of the Latest Practicable Date; (2) Richland, a company controlled by Richland Cayman Limited and is interested in 3,423,613 Shares with par value of US$0.000002 each as of the Latest Practicable Date, which is ultimately controlled by Mr. ZHU Jing; (3) Investnet, a company controlled by Mr. ZHU Jing and is interested in 1,263,100 Shares with par value of US$0.000002 each as of the Latest Practicable Date; and (4) Richforest, a company controlled by Mr. ZHU Jing and is interested in 580,984 Shares with par value of US$0.000002 each as of the Latest Practicable Date.

b. ***Interests and short positions of the substantial shareholders in the Shares and underlying Shares of our Company***

Save as disclosed in "Substantial Shareholders" in this document, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any interest or short position in the Shares or underlying shares of the Company, which, upon the [REDACTED], would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

c. ***Interests of the substantial shareholders of any member of our Group (other than our Company)***

Name of shareholders of other members of our Group	Capacity/ Nature of interest	Registered share capital[(1)]	Name of other members of our Group	Approximate percentage of interest
Mr. Gao	Beneficial owner	RMB20,816,327	Shanghai ChiLe	51%
Beijing JinChi	Beneficial owner	RMB20,000,000	Shanghai ChiLe	49%
Mr. HUA Xinjiang[(1)]	Interest in controlled corporation	RMB20,000,000	Shanghai ChiLe	49%
Mr. Gao	Beneficial owner	RMB7,200,000	Huanju Times	72%
Mr. Zheng	Beneficial owner	RMB2,800,000	Huanju Times	28%

Note:

(1) Beijing JinChi is controlled by Mr. HUA Xinjiang.

(2) Registered share capital represents the registered share capital that is contributed by relevant shareholders.

2. Directors' service contracts and letters of appointment

On [●], each of the executive Directors has entered into a service contract with our Company, and each of the non-executive Directors and independent non-executive Directors have entered into letters of appointment with ou Company. The service contracts with each of the executive Directors are for an initial fixed term of three years commencing from [●]. The letters of appointment with each

of the non-executive Directors and independent non-executive Directors are for an initial fixed term of three years commencing from [●]. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms or by either party giving to the other not less than three-month prior written notice. The appointment of the Directors are subject to the the provisions of retirement and rotation of Directors under the Articles.

For the three years ended December 31, 2017, the aggregate of the remuneration paid and benefits in kind granted to the Directors by our Group was RMB0.1 million, RMB0.2 million and RMB0.2 million, respectively. Under the arrangements currently in force, our Company estimates that the aggregate emolument payable to the Directors (excluding discretionary bonus and any options granted pursuant to share incentive schemes) by our Company for the year ended December 31, 2018 will be approximately RMB3 million.

Save as disclosed in this document, no other emoluments have been paid or are payable for the three years ended December 31, 2017 by our Company to the Directors. Save as disclosed above, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group. Details of the Company's remuneration policy is described in "Directors and Senior Management — Directors' Remuneration."

3. Disclaimers

Save as disclosed in this document:

(a) the Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately after completion of the [REDACTED] (taking no account of the [REDACTED] or any Shares which may be issued upon exercise of share options that may be granted under the Post-[REDACTED] Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Group;

(b) none of the Directors has any interest or short position in any of the Shares, underlying Shares or debentures of any associated corporation within the meaning of Part XV of the

SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code of Securities Transactions by Directors of Listed Companies, in each case once the Shares are [REDACTED];

(c) none of the Directors nor any of the parties listed in the section headed "— E. Other Information — 10. Consents of experts" of this Appendix is interested directly or indirectly, in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(d) none of the Directors nor any of the parties listed in the section headed "— E. Other Information — 10. Consents of experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our Company's business taken as a whole;

(e) save in connection with the [REDACTED], none of the parties listed in the section headed "E. Other Information — 10. Consents of experts" of this Appendix:

(i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;

(iii) none of our Directors or any of experts named in the paragraph headed "E. Other Information — 10. Consents of Experts" in this section below has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(f) none of the Directors or their associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of the Directors, owns more than 5% of our Company's issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

D. SHARE INCENTIVE SCHEMES

1. 2016 Share Incentive Scheme

The following is a summary of the principal terms of the 2016 Share Incentive Scheme adopted by our Company on January 6, 2016, which was amended and restated on May 24, 2018. The 2016 Share Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the 2016 Share Incentive Scheme does not involve the grant of options by our Company to subscribe for new Shares.

a. ***Purpose***

The purpose of the 2016 Share Incentive Scheme is to incentivize Directors, senior management and employees for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company.

b. ***RSUs***

A RSU gives a participant in the RSU Scheme (the "RSU Participant") a conditional right when the RSU vests to obtain Shares, less any tax, stamp duty and other charges applicable, as determined by our Board in its absolute discretion. Each RSU represents one underlying Share. A RSU may include, if so specified by our Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cashand non-scrip distributions in respect of those Shares.

c. ***Participants***

Persons eligible to receive RSUs under the 2016 Share Incentive Scheme are existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of our Company or any member of our Group (the "RSU Eligible Persons"). Our Board selects the RSU Eligible Persons to receive RSUs under the 2016 Share Incentive Scheme at its discretion.

d. ***Terms***

The 2016 Share Incentive Scheme will be valid and effective for a period of ten (10) years, commencing from the date of the first grant of the RSUs, being January 6, 2016 (unless it is terminated earlier in accordance with its terms) (the "Scheme Period").

e. ***Grant and Acceptance***

(a) *Making an offer*

An offer to grant a RSU will be made to a RSU Eligible Person selected by our Board (the "RSU Selected Person") by a letter, in such form as our Board may determine (the "RSU Grant Letter"). The RSU Grant Letter will specify the RSU Selected Person's name, the manner of acceptance of the RSU, the number of RSUs granted and the number of underlying Shares represented by the RSUs, the vesting criteria and conditions, the vesting schedule, the exercise price of the RSUs (where applicable) and such other details as our Board considers necessary and are not inconsistent with the 2016 Share Incentive Scheme, and will require the RSU Selected Person to undertake to hold the RSU on the terms on which it is granted and to be bound by the provisions of the 2016 Share Incentive Scheme.

(b) *Acceptance of an offer*

A RSU Selected Person may accept an offer of the grant of RSUs in such manner as set out in the RSU Grant Letter. Once accepted, the RSUs are deemed granted from the date of the RSU Grant Letter (the "RSU Grant Date").

(c) *Restrictions on Grants*

Our Board may not grant any RSUs to any RSU Selected Persons in any of the following circumstances:

- the securities laws or regulations require that a document or other [REDACTED] documents be issued in respect of the grant of the RSUs or in respect of the 2016 Share Incentive Scheme, unless our Board determines otherwise;

- where granting the RSUs would result in a breach by our Company, any member of our Group or any of their directors of any applicable laws, rules or regulations; or

- where such grant of any RSUs would result in a breach of the limits of the 2016 Share Incentive Scheme (as set out in paragraph 6 below).

f. ***Maximum number of Shares pursuant to RSUs***

The maximum number of RSUs that may be granted under the 2016 Share Incentive Scheme in aggregate (excluding RSUs that have lapsed or been canceled in accordance with the rules of the 2016 Share Incentive Scheme) shall be such number of Shares held or to be held by the RSU Trustee for the purpose of the 2016 Share Incentive Scheme from time to time. The Company has allotted and issued to the RSU Nominee 62,500,000 Class B Ordinary Shares underlying all the grants under the 2016 Share Incentive Scheme, representing [REDACTED]% of the number of Shares in issue on the [REDACTED] (without taking into account of any Share which may be issued pursuant to the exercise of the [REDACTED] or any option that may by granted under the Post-[REDACTED] Share Option Scheme).

g. ***Rights attached to RSUs***

A RSU Participant does not have any contingent interest in any Shares underlying the RSUs unless and until such Shares are actually transferred to the RSU Participant. Further, a RSU Participant may not exercise voting rights in respect of the Shares underlying the RSUs prior to their exercise and, unless otherwise specified by our Board in its entire discretion in the RSU Grant Letter to the RSU Participant, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSUs.

h. ***Rights attached to Shares***

Any Shares transferred to a RSU Participant in respect of any RSUs will be subject to all the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the date of the transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members.

i. ***Assignment of RSUs***

The RSUs granted pursuant to the 2016 Share Incentive Scheme are personal to each RSU Participant, and are not assignable. RSU Participants are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the RSU Trustee (as defined in paragraph 11 below) on trust for the RSU Participants, the RSUs, or any interest or benefits therein.

j. ***Vesting of RSUs***

Our Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, our Board will send a vesting notice (the "Vesting Notice") to each of the relevant RSU Participants. The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved.

k. ***Appointment of the RSU Trustee***

Our Company may appoint trustee (the "RSU Trustees") to assist in the administration of the 2016 Share Incentive Scheme. Our Company may (i) allot and issue Shares to the RSU Trustees to be held by the RSU Trustees and which will be used to satisfy the Shares underlying the RSUs upon exercise and/or (ii) direct and procure the RSU Trustees to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the Shares underlying the RSUs upon exercise. Our Company shall procure that sufficient funds are provided to the RSU Trustees by whatever means as our Board may in its absolute discretion determine to enable the RSU Trustees to satisfy its obligations in connection with the administration of the 2016 Share Incentive Scheme. All the Shares underlying the RSUs granted and to be granted under the 2016 Share Incentive Scheme will be transferred, allotted or issued to the RSU Trustees.

l. ***Exercise of RSUs***

RSUs held by a RSU Participant that are vested as evidenced by the Vesting Notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing on the RSU Trustee and copied to our Company. Any exercise of RSUs must be in respect of a board lot of [REDACTED] Shares each or an integral multiple thereof (except where the number of RSUs which remains unexercised is less than one board lot).

In an exercise notice, the RSU Participant shall request the RSU Trustee to, and the Board shall direct and procure the RSU Trustee to, within five (5) business days, transfer the Shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the RSU Participant which our Company has allotted and issued to the RSU Trustee as fully paid up Shares or

which the RSU Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the RSU Trustee or as the RSU Trustee directs.

The Participant shall serve the exercise notice within three (3) months after receiving the Vesting Notice. The Trustee will not hold the Shares underlying the RSUs vested for the RSU Participant after this three (3) months period. If the exercise notice is not served during this three (3) months period or the Shares underlying the RSUs exercised cannot be transferred to the RSU Participant pursuant to the preceding paragraph due to the Participant not being able to provide sufficient information to affect the transfer, the RSUs vested or exercised (as the case may be) shall lapse unless otherwise agreed by the Board at its absolute discretion.

m. ***Rights on a takeover***

If a general offer to acquire the Shares (whether by takeover offer, merger, or otherwise in a like manner) is made to all of our Shareholders (or Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects, a RSU Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

n. ***Rights on a compromise or arrangement***

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies and a notice is given by our Company to our Shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement and such Shareholders' approval is obtained, a RSU Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

o. ***Rights on a compromise or arrangement***

If an effective resolution is passed during the 2016 Share Incentive Scheme Period for the voluntary winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), all outstanding RSUs shall be treated as having vested immediately. No Shares will be transferred, and no cash alternative will be paid, to the RSU Participant, but the RSU Participant will be entitled to receive out of the assets available in liquidation on an equal basis with our Shareholders such sum as they would have received in respect of the RSUs.

p. ***Lapse of RSUs***

(a) *Full lapse of RSU*

Any unvested RSU will automatically lapse immediately where:

- such RSU Participant's employment or service terminates for any reason; or

- the RSU Participant makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any RSUs or any interests or benefits pursuant to the RSUs.

(b) *If at any time, a RSU Participant:*

- ceases to be an employee;
- fails, during the course of his employment, to devote the whole of his time and attention to the business of our Group or to use his best endeavors to develop the business and interests of our Group;
- is concerned during the course of his employment with our Group (without the prior written consent of our Company) with any (competitive or other) business other than that of our Group; and/or
- is in breach of his contract of employment with or any other obligation to our Group (including without limitation certain restrictive covenants), then all vested and unvested RSUs shall automatically lapse and such RSU Participant shall have no claim whatsoever in respect of the RSUs or the underlying Shares.

q. ***Cancelation of RSUs***

Our Board may at its discretion cancel any RSU that has not vested or lapsed, provided that:

(a) our Company or our subsidiaries pay to the RSU Participant an amount equal to the fair value of the RSU at the date of the cancelation as determined by the Board, after consultation with our auditors or an independent financial advisor appointed by our Board;

(b) our Company or our relevant subsidiary provides to the RSU Participant a replacement award (or a grant or option under any other restricted share unit scheme, share option scheme or share-related incentive scheme) of equivalent value to the RSUs to be canceled; or

(c) our Board makes any arrangement as the RSU Participant may agree in order to compensate him/her for the cancelation of the RSUs.

r. ***Reorganization of capital structure***

In the event of any capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company, our Board may make such equitable adjustments, designed to protect the RSU Participants' interests, to the number of Shares underlying the outstanding RSUs or to the amount of the equivalent value, as it may deem appropriate at its absolute discretion.

s. ***Amendment of the 2016 Share Incentive Scheme***

Save as provided in the 2016 Share Incentive Scheme, our Board may alter any of the terms of the 2016 Share Incentive Scheme at any time. Written notice of any amendment to the 2016 Share Incentive Scheme shall be given to all RSU Participants.

Any alterations to the terms and conditions of the 2016 Share Incentive Scheme which are of a material nature or any changes to the terms of the RSUs granted which shall operate to affect materially adversely any subsisting rights of any RSU Participant shall be subject to the consent of the RSU Participants amounting to three-fourths in nominal value of all underlying RSUs so held by the RSU Participants on the date of the relevant resolution passed by our Board in approving the amendment of the 2016 Share Incentive Scheme or the terms of the RSUs granted (as the case may be), except where the alterations or changes take effect automatically under the existing terms of the 2016 Share Incentive Scheme. Our Board's determination as to whether any proposed alteration to the terms and conditions of the 2016 Share Incentive Scheme or the terms of the RSUs granted (as the case may be) is material shall be conclusive.

t. ***Termination***

Our Board may terminate the 2016 Share Incentive Scheme at any time before the expiry of the 2016 Share Incentive Scheme Period. The provisions of the 2016 Share Incentive Scheme shall remain in full force and effect in respect of RSUs which are granted pursuant to the rules of the 2016 Share Incentive Scheme prior to the termination of the operation of the 2016 Share Incentive Scheme. Our Company or our relevant subsidiary shall notify the RSU Trustee and all RSU Participants of such termination and of how any property held by the RSU Trustee on trust for the RSU Participants (including, but not limited to, any Shares held) and the outstanding RSUs shall be dealt with.

u. ***Administration of the 2016 Share Incentive Scheme***

Our Board has the power to administer the 2016 Share Incentive Scheme, including the power to construe and interpret the rules of the 2016 Share Incentive Scheme and the terms of the RSUs granted under it. Our Board may delegate the authority to administer the 2016 Share Incentive Scheme to a committee of our Board. Our Board may also appoint one or more independent third-party contractors to assist in the administration of the 2016 Share Incentive Scheme and delegate such powers and/or functions relating to the administration of the 2016 Share Incentive Scheme as our Board thinks fit.

Our Board's determinations under the 2016 Share Incentive Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, RSUs under it. If a Director is a RSU Participant he may, notwithstanding his own interest and subject to our Articles, vote on any Board resolution concerning the 2016 Share Incentive Scheme (other than in respect of his own participation in it), and may retain RSUs under it. Each RSU Participant waives any right to contest, amongst other things, the value and number of RSUs or Shares or equivalent value of cash underlying the RSUs or Shares and our Board's administration of the 2016 Share Incentive Scheme.

v. ***General***

An application has been made to the [REDACTED] of the Stock Exchange for the [REDACTED] of, and permission to deal in, new Shares underlying the RSUs that have been granted pursuant to the RSU Scheme.

w. ***Outstanding RSUs granted***

As of the Latest Practicable Date, we had granted RSUs representing 49,387,240 Shares (before 2018 Share Subdivision) to 60 grantees under the RSU Scheme, including the following senior management and other current or former key employees of our Company.

Details of the RSUs granted pursuant to the 2016 Share Incentive Scheme to our Directors and senior management are set out below:

Name	Number of Shares underlying the RSUs granted[(1)]
Directors	
Ms. ZHOU Yan	5,000,000
Senior Management	
Mr. NIU Chong	6,094,000
Mr. ZHANG Zhen	5,000,000
Other Employees	
57 employees	33,293,240

(1) The numbers are not adjusted for 2018 share subdivision.

For the RSUs granted from March 31, 2016 to the Latest Practicable Date to the respective individuals, they shall (unless our Company shall otherwise determine and so notify the RSU participants in writing) vest as follows:

(i) as to 0% of the RSUs on the [REDACTED];

(ii) as to 65% of the RSUs on the date ending 12 months after the [REDACTED];

(iii) as to 7% of the RSUs on the date ending 24 months after the [REDACTED];

(iv) as to 12% of the RSUs on the date ending 36 months after the [REDACTED]; and

(v) as to 16% of the RSUs on the date ending more than 36 months after the [REDACTED].

The Company will issue announcements according to the applicable Listing Rules, disclosing particulars of any Awards granted under the 2016 Share Incentive Scheme, including the date of grant, number of Shares involved, the vesting period, the appointment and arrangement with the Administrator and compliance with Chapter 14A of the Listing Rules. Details of the 2016 Share Incentive Scheme, including particulars and movements of the Awards granted during each financial year of our Company, and our employee related costs arising from the grant of the Awards will be disclosed in our annual and interim reports.

2. Post-[REDACTED] Share Option Scheme

The following is a summary of the principal terms of the Post-[REDACTED] Share Option Scheme approved by the resolutions of our Shareholders passed on [●]:

a. ***Purpose of the Post-[REDACTED] Share Option Scheme***

The purpose of this Post-[REDACTED] Share Option Scheme is to attract, retain and motivate employees, Directors and such other Participant, and to provide a means of compensating them through the grant of options pursuant to the terms of the Post-[REDACTED] Share Option Scheme ("Options") for their contribution to the growth and profits of our Group, and to allow such employees, Directors and other persons to participate in the growth and profitability of our Group.

b. ***Conditions and Present Status of the Post-[REDACTED] Share Option Scheme***

The Post-[REDACTED] Share Option Scheme shall take effect conditional upon (i) the [REDACTED] granting approval of the Post-[REDACTED] Share Option Scheme, and the [REDACTED] of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options; and (ii) the commencement of [REDACTED] in the Shares on the Stock Exchange.

As at the date of this document, no option has been granted or agreed to be granted under the Post-[REDACTED] Share Option Scheme. No option is expected to be granted under the Post-[REDACTED] Share Option Scheme prior to the [REDACTED].

c. ***Eligible Participants***

On and subject to the terms of the Post-[REDACTED] Share Option Scheme, the Board shall be entitled at any time to offer to grant to any non-executive Director or independent non-executive Director of our Company appointed or proposed to be appointed prior to the [REDACTED], or any director of any of the subsidiaries, or any employee (whether full time or part time) of our Company or its subsidiaries, including any executive Director ("Participants") as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, an Option to subscribe for such number of Shares as the Board may determine at the Subscription Price. The basis of eligibility of any of the class of Participants to the grant of any Options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

d. ***Offer and Grant of Options***

No offer of grant of Option shall be made after inside information has come to the knowledge of the Company until such inside information has been published in accordance with the Listing Rules. In particular, no option may be granted during the period of one (1) month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement.

An offer of the grant of an Option ("Offer") shall be deemed to have been accepted and the Option to which such offer relates shall be deemed to have been granted and to have taken effect when the duplicate letter comprising acceptance of offer duly signed by the Participant ("Grantee") with the number of Shares in respect of which such offer is accepted clearly stated therein, together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company. Such remittance shall in no circumstances be refundable. Once accepted, the Option is granted as from the Offer Date.

e. ***Subscription Price***

The subscription price ("Subscription Price") shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option), but in any case the Subscription Price shall not be less than the higher of (a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a Business Day ("Offer Date"), (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) Business Days immediately preceding the date of grant, and (c) the nominal value of a Share.

f. ***Maximum number of Shares and entitlement of an eligible Participant***

(a) 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-[REDACTED] Share Option Scheme and other share option schemes of our Company (and to which the provisions of the Listing Rules are applicable) shall not exceed 30% of the Shares in issue from time to time.

(b) The Shares which may be issued upon exercise of all Options to be granted under the Post-[REDACTED] Share Option Scheme and other share option schemes of our Company (and to which the provisions of the Listing Rules are applicable) shall not exceed [REDACTED] Shares, (i.e. 10% of the aggregate of the Shares in issue on the [REDACTED] ("Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Post-[REDACTED] Share Option Scheme shall not be counted for the purpose of calculating this Scheme Mandate Limit.

(c) Our Company may seek approval of our Shareholders in general meeting for refreshing the Scheme Mandate Limit. However, the Scheme Mandate Limit as refreshed shall not exceed

10% of the total number of Shares in issue as at the date of the approval of our Shareholders. Options previously granted under the Post-[REDACTED] Share Option Scheme or any other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including Options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Post-[REDACTED] Share Option Scheme or any other share option scheme of our Company) will not be counted for the purpose of calculating the limit as "refreshed."

A circular containing the information required under the Listing Rules shall be sent to our Shareholders in connection with the meeting at which their approval will be sought.

(d) Our Company may seek separate approval by our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit (as refreshed) provided the Grantee(s) of such Option(s) must be specifically identified by our Company before such approval is sought. A circular containing a generic description of the specified Grantees who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting such Options to the Grantees with an explanation as to how the terms of Options serve such purpose and other information required under the Listing Rules shall be sent to our Shareholders.

(e) The total number of Shares issued and to be issued upon exercise of the Options granted to each eligible Participant (including exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the Shares in issue (the "Individual Limit"). Any further grant of Options to an eligible Participant which would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to our Shareholders' approval in general meeting with such eligible Participant and his or her close associates (as defined under the Listing Rules, or his or her associate if the Participant is a connected person) abstaining from voting. A circular containing the information required under the Listing Rules shall be sent to our Shareholders. The number and terms (including the Subscription Price) of the Options to be granted to such Participant must be fixed before our Shareholders' approval is sought and the date of the meeting of the Board for proposing such further grant of Option should be taken as the date of grant for the purpose of calculating the Subscription Price.

g. ***Grant of Options to Connected Persons***

(a) Any grant of Options to a Participant who is a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or their respective associates shall be subject to approval by the independent nonexecutive Directors of our Company (excluding the independent non-executive Director who is the Grantee).

(b) Where our Board proposes to grant any Option to a Participant who is a substantial shareholder (with the meaning as ascribed under the Listing Rules) of our Company or an independent non-executive Director of our Company, or any of their respective associates

would result in our Shares issued and to be issued upon exercise of all options already granted and to be granted under the Post-[REDACTED] Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) to him in the 12-month period up to and including the proposed Offer Date of such grant (the "Relevant Date"):

(i) representing in aggregate more than 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the total number of Shares in issue on the Relevant Date; and

(ii) having an aggregate value, based on the closing price of our Shares as stated in the Stock Exchange's daily quotation sheet on the Relevant Date, in excess of HK$5,000,000 (or such other higher amount as may from time to time be specified by the Stock Exchange),

such proposed grant of Options must be approved by our Shareholders (voting by way of poll). In such a case, our Company shall send a circular to our Shareholders containing all those terms as required under the Listing Rules. The Participant concerned and all other connected persons of our Company must abstain from voting in favor of the resolution at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his/her intention to do so has been stated in the circular to be sent to our Shareholders in connection therewith.

h. ***Exercise of Options***

An Option may be exercised in accordance with the terms of the Post-[REDACTED] Share Option Scheme at any time during the period to be determined by our Board at its absolute discretion and notified by our Board to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Post-[REDACTED] Share Option Scheme ("Option Period").

i. ***Vesting***

Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules to which the Post-[REDACTED] Share Option Scheme may be subject, including the Listing Rules or regulations of any stock exchange on which the Shares may be [REDACTED] and quoted. Furthermore, the Shares to be issued and allotted to a Grantee pursuant to the exercise of any Option under the Post-[REDACTED] Share Option Scheme may or may not, at the discretion of the Board, be subject to any retention period.

j. ***Performance Target and Minimum Period before Exercise***

Unless otherwise determined by our Board and specified in the offer letter to be given to the Participant at the time of the offer of the Option, there is no general requirement for any performance target that needs to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised.

k. ***Options are personal to the Grantee***

An Option shall be personal to the Grantee and shall not be assignable or transferable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favor of any third party over or in relation to any Option, except for the transmission of an Option on the death or incapacitation of the Grantee to his personal representative(s) according to the terms of the Post-[REDACTED] Share Option Scheme Rights on death, or termination of employment, our Directorship, office or appointment

(a) in the event of the Grantee ceasing to be an employee (whether full time or part time) of our Company or its subsidiaries, including any executive Director ("Eligible Employee"), by reason of non-renewal of his or her employment contract upon termination, or retirement, or internal reorganization, or if the Grantee is a Director, the cessation as a Director upon rotation, the Grantee shall be entitled within a period of three (3) months from the date of cessation of employment which shall be the last actual working day with our Company or the relevant subsidiary to exercise any Option in whole or in part (to the extent which has become exercisable but not yet exercised prior to such date of cessation). In the event of the Grantee ceasing to be an Eligible Employee for any reason other than those stated above or his or her death or the termination of his or her employment on one or more of the grounds specified in the Post-[REDACTED] Share Option Scheme, the Grantee may exercise the Option in accordance with the provisions of the Post-[REDACTED] Share Option Scheme up to his or her entitlement at the date of cessation in whole or in part (to the extent which has become exercisable and not already exercised) which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as the Board may determine; and

(b) in the event that the Grantee ceases to be a Participant (as the case may be) by reason of death or incapacitation (provided that none of the events which would be a ground for termination of his or her employment arises prior to his or her death or incapacitation), the legal personal representative(s) of this Grantee shall be entitled within a period of twelve (12) months from the date of death or incapacitation (or such longer period as the Board may determine) to exercise the Option in whole or in part (to the extent which has become exercisable and not already exercised prior to such date of death or incapacitation).

l. ***Voluntary winding-up of our Company***

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all Grantees and thereupon, each Grantee (or her legal personal representative(s)) shall be entitled to exercise all or any of his or her or its Options (to the extent which has become exercisable and not already exercised) at any time not later than three (3) Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares In respect of which the notice is given whereupon our Company shall as soon as possible

and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid, which Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

m. ***Rights on take-over***

In the event of a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of our Shares (or all such holders other than the offer or and/or any person controlled by the offer or and/or any person acting in association or concert with the offeror), our Company shall use all reasonable endeavors to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by exercise in full of the Options granted to them, shareholders of our Company. If such offer becomes or is declared unconditional, a Grantee shall be entitled to exercise his Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to our Company in exercise of his Option at any time before the close of such offer (or any revised offer).

n. ***Rights on a compromise or arrangement***

In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such scheme or arrangement, and thereupon any Grantee (or her legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two (2) months thereafter and the date on which such compromise or arrangement is sanctioned by Court be entitled to exercise his or her or its Option (to the extent which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. Our Company may thereafter require such Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his or her or its Option so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

o. ***Voluntary winding-up of our Company***

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all Grantees and thereupon, each Grantee (or her legal personal representative(s)) shall be entitled to exercise all or any of his or her or its Options (to the extent which has become exercisable and not already exercised) at any time not later than three (3) Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for

the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid, which Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

p. ***Rights on take-over***

In the event of a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of our Shares (or all such holders other than the offer or and/or any person controlled by the offer or and/or any person acting in association or concert with the offeror), our Company shall use all reasonable endeavors to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by exercise in full of the Options granted to them, shareholders of our Company. If such offer becomes or is declared unconditional, a Grantee shall be entitled to exercise his Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to our Company in exercise of his Option at any time before the close of such offer (or any revised offer)

q. ***Rights on a compromise or arrangement***

In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such scheme or arrangement, and thereupon any Grantee (or her legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two (2) months thereafter and the date on which such compromise or arrangement is sanctioned by Court be entitled to exercise his or her or its Option (to the extent which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. Our Company may thereafter require such Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his or her or its Option so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

r. ***Effects of alterations to capital structure***

In the event of any alteration in the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganization of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding alterations (if any) shall be made in (a) the number or nominal amount of Shares subject to the Option so far as unexercised, and/or (b) the Subscription Price, and/or (c) the method of exercise of the Option, as the auditors or the financial

advisor of our Company retained for such purpose shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any alteration shall be made on the basis that the proportion of the issued share capital of our Company to which a Grantee is entitled after such alteration shall remain the same as that to which he or she or it was entitled before such alteration and that the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but so that no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value and no such adjustment will be required in circumstances where there is an issue of Shares or other securities of our Group as consideration in a transaction.

s. ***Lapse of Options***

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(a) the expiry of the Option Period;

(b) the date of the expiry of the periods for exercising the Option;

(c) the date on which the offer (or as the case may be, revised offer) closes;

(d) the date of the commencement of the winding-up of our Company;

(e) the date when the proposed compromise or arrangement becomes effective;

(f) the date on which the Grantee ceases to be an Eligible Employee by reason of the termination of his or her employment on any one or more of the grounds that he or she voluntarily resigns, or has been guilty of misconduct or has found to have breached the terms of employment during his or her employment (regardless of whether such employment contract has already been terminated) leading to a material loss or damage to our Group, or his or her employment has terminated by reason of the failure of such employment to pass the annual evaluation, or has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his or her employment at law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant subsidiary. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that employment of a Grantee has or has not been terminated shall be conclusive and binding on the Grantee;

(g) the date on which the Grantee commits a breach or the Options are cancelled in accordance with the Share Option Scheme; or

(h) if the Board at its absolute discretion determines that the Grantee (other than an Eligible Employee) has committed any breach of any contract entered into between the Grantee on

the one part and any member of our Group on the other part or that the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her or its creditors generally, the Board shall determine that the outstanding Options granted to the Grantee (whether exercisable or not) shall lapse. In such event, his or her or its Options will lapse automatically and will not in any event be exercisable on or after the date on which the Board has so determined.

t. ***Ranking of Share allotted upon exercise of Options***

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Memorandum and Articles of Association of our Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue.

u. ***Duration of the Post-[REDACTED] Share Option Scheme***

The Post-[REDACTED] Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which the Post-[REDACTED] Share Option Scheme is conditionally adopted by resolution of our Shareholders.

v. ***Cancellation of Options granted***

Subject to the consent from the relevant Grantee, our Board may at its discretion cancel Options previously granted to and yet to be exercised by a Grantee with the relevant Grantees abstaining from voting.

w. ***Termination of the Post-[REDACTED] Share Option Scheme***

Our Company may terminate the operation of the Post-[REDACTED] Share Option Scheme at any time by resolution of the Board or resolution of our Shareholders in general meeting and in such event no further Option will be offered but the provisions of the Post-[REDACTED] Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Post-[REDACTED] Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Post-[REDACTED] Share Option Scheme.

x. ***Alteration of the provisions of the Post-[REDACTED] Share Option Scheme***

Subject to the provisions of the Post-[REDACTED] Share Option Scheme, the Board may amend any of the provisions of the Post-[REDACTED] Share Option Scheme (including without limitation to amendments in order

to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Post-[REDACTED] Share Option Scheme, which are not found in the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date).

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against our Company, that would have a material adverse effect on our results of operations or financial condition.

3. Preliminary Expenses

Our Company's estimated preliminary expenses are approximately RMB20,000 and has been paid by our Company.

4. Promoter

There are no promoters of our Company.

5. Joint Sponsors

The Joint Sponsors made an application on our Company's behalf to the [REDACTED] of the [REDACTED] for [REDACTED] of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the [REDACTED] (including any Shares falling to be issued pursuant to the exercise of the [REDACTED] and any Shares to be allotted and issued upon the exercise of the options that may be granted under the Post-[REDACTED] Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

Each of the Joint Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Joint Sponsors, pursuant to which, the aggregate sponsors' fees payable by us in respect of the Joint Sponsors' services for the [REDACTED] is approximately US$1.0 million.

6. No Material Adverse Change

The Directors confirm that there has been no material adverse change in their financial or trading position or prospects since December 31, 2017 (being the date to which our Company's latest audited consolidated financial statements were made up).

7. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

8. Miscellaneous

Save as disclosed in this document, within the two years immediately preceding the date of this document,

(a) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) neither our Company nor any of our subsidiaries has issued or agreed to issue any founder shares, management shares or deferred shares;

(d) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(e) no commission has been paid or payable (except commissions to the [REDACTED]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any Shares in or debentures of our Company or any of our subsidiaries;

(f) none of the equity and debt securities of our Company is [REDACTED] or dealt with in any other stock exchange nor is any [REDACTED] or permission to deal being or proposed to be sought;

(g) our Company has no outstanding convertible debt securities; and

(h) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts, Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
Citigroup Global Markets Asia Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
ICBC International Capital Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Macquarie Capital Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities as defined under the SFO
Ernst & Young	Certified public accountants
Haiwen & Partners	PRC legal advisors to our Company
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., Ltd.	Industry consultants

10. Consents of experts

Each of China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, ICBC International Capital Limited, Macquarie Capital Limited, Ernst & Young, Haiwen & Partners, Conyers Dill & Pearman and Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., Ltd. has given and has not withdrawn their respective consent to the issue of this document with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

As of the Latest Practicable Date, none of the experts named above had any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

11. Bilingual document

Pursuant to Rule 11.14 of the Listing Rules and section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this document are being published separately but are available to the public at the same time.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among others:

(a) copies of each of the [REDACTED];

(b) a copy of each of the material contracts referred to the section headed "Statutory and General Information — B. Further Information About Our Company's Business — 1. Summary of Material Contracts" in Appendix IV to this document; and

(c) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 10. Consents of Experts" in Appendix IV to this document.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Wilson Sonsini Goodrich & Rosati at Suite 1509, 15F, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

(a) our Memorandum and Articles of Association;

(b) the Accountants' Report for the three years ended December 31, 2017 issued by Ernst & Young, and the report on the [REDACTED] financial information prepared by Ernst & Young, the texts of which are set out in Appendix 1 and Appendix II of this document, respectively;

(c) the audited consolidated financial statements of our Company for the three years ended December 31, 2017;

(d) the legal opinions issued by Haiwen & Partners, our PRC legal advisor, in respect of certain aspects of the Group and the property interests of the Group;

(f) the letter of advice issued by Conyers Dill & Pearman, our Cayman legal advisor, in respect of certain aspects of the Cayman Islands company law referred to in Appendix III to this document;

(g) the Cayman Companies Law;

(h) the material contracts referred to the section headed "Statutory and General Information — B. Further Information About Our Company's Business — 1. Summary of Material Contracts" in Appendix IV to this document;

(i) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 10. Consents of Experts" in Appendix IV to this document;

(j) service contracts and letters of appointment entered into between the Company and each of the Directors;

(k) the rules of the 2016 Share Incentive Scheme;

(l) the rules of the Post-[REDACTED] Share Option Scheme; and

(m) the industry report issued by Frost & Sullivan.