



Newborn Town Inc.

赤子城科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 9911

GLOBAL OFFERING

Sole Sponsor



Joint Global Coordinators



IMPORTANT

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

赤子城

newborntown

NEWBORN TOWN INC.

赤子城科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Global Offering

Total number of Offer Shares under the Global Offering	:	136,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Public Offer Shares	:	13,600,000 Shares (subject to adjustment)
Number of International Offer Shares	:	122,400,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price (subject to a Downward Offer Price Adjustment)	:	HK\$1.80 per Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund) (If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK\$1.26 per Offer Share)
Nominal value	:	US\$0.0001 per Share
Stock code	:	9911

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



SBI China Capital
軟庫中華

Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix V – Documents Delivered to the Registrar of Companies and Available for Inspection" in this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or around Friday, 20 December 2019 and, in any event, not later than Monday, 30 December 2019. The Offer Price will be not more than HK\$1.80 per Offer Share and is currently expected to be not less than HK\$1.40 per Offer Share (subject to a Downward Offer Price Adjustment), unless otherwise announced. Applicants for Hong Kong Public Offer Shares are required to pay, upon application, the maximum Offer Price of HK\$1.80 per Offer Share for each Hong Kong Public Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$1.80 per Offer Share. If, for any reason, the Offer Price is not agreed by Monday, 30 December 2019 between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate and with our consent, reduce the number of Hong Kong Public Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$1.40 to HK\$1.80) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Public Offer Shares and/or the indicative Offer Price range will be published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.newborntown.com. Further details are set forth in the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Public Offer Shares should note that the obligations of the Hong Kong Public Offer Underwriter under the Hong Kong Public Offer Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Public Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

17 December 2019

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Friday, 20 December 2019
Application lists open ⁽³⁾	11:45 a.m. on Friday, 20 December 2019
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Friday, 20 December 2019
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, 20 December 2019
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 20 December 2019
Application lists close ⁽³⁾	12:00 noon on Friday, 20 December 2019
Expected Price Determination Date ⁽⁵⁾	Friday, 20 December 2019
Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment (see the section headed “Structure and Conditions of the Global Offering – Pricing and Allocation”) on the website of the Company at www.newborntown.com and on the website of the Stock Exchange at www.hkexnews.hk on or before	Monday, 30 December 2019

(1) Announcement of:

- the Offer Price;
- the level of indication of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Public Offer Shares

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before

Monday, 30 December 2019

EXPECTED TIMETABLE⁽¹⁾

- (2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for Hong Kong Public Offer Shares – 11. Publication of Results" from . . . Monday, 30 December 2019
- (3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk⁽⁶⁾ and our Company's website at www.newborntown.com⁽⁷⁾ from . . . Monday, 30 December 2019

Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function from Monday, 30 December 2019

Dispatch Shares certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁸⁾⁽⁹⁾ Monday, 30 December 2019

Dispatch of refund cheques and e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁹⁾⁽¹⁰⁾ Monday, 30 December 2019

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Tuesday, 31 December 2019

Notes:

- (1) All dates and times refer to Hong Kong dates and times, unless otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a "black" rainstorm warning, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 20 December 2019, the application lists will not open and close on that day. Please refer to the section headed "How to Apply for Hong Kong Public Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus. If the application lists do not open and close on Friday, 20 December 2019, the dates mentioned above may be affected. We will make an announcement in such event.
- (4) Applicants who apply for the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Public Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Friday, 20 December 2019, and, in any event, not later than Monday, 30 December 2019. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for itself and on behalf of the Underwriters) and our Company on or before Monday, 30 December 2019, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
- (6) The announcement will be available for viewing on the “Main Board – Allotment Results” page on the Stock Exchange’s website at www.hkexnews.hk.
- (7) Neither our Company’s website nor any of the information contained in our Company’s website forms part of this prospectus.
- (8) Our Company will not issue any temporary documents of title in respect of the Shares. Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Monday, 30 December 2019, but will only become valid if the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date, which is expected to be Tuesday, 31 December 2019. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the share certificates do so entirely at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Global Offering will not proceed. In such a case, we will make an announcement as soon as possible.
- (9) Applicants who apply on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 or more Hong Kong Public Offer Shares under the Hong Kong Public Offering and have provided all information required by their Application Forms, may collect their refund cheques and Share certificates (where applicable) in person from the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 30 December 2019. Applicants being individuals who are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to the Hong Kong Branch Share Registrar.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Public Offer Shares under the Hong Kong Public Offering and have provided all information required by their Application Forms, may collect their refund cheques (if any) in person but may not elect to collect their certificates of Shares, which will be deposited into CCASS for the credit of their designated CCASS Participant stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to “*How to Apply for Hong Kong Public Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS*”.

Applicants who apply for 1,000,000 Hong Kong Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk and whose applications are wholly or partially successful, may collect their Share certificates in person from our Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 30 December 2019. For applicants who apply for less than 1,000,000 Hong Kong Public Offer Shares, Share certificates will be sent to the address specified in their application instructions to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk on Monday, 30 December 2019, by ordinary post and at their own risk.

EXPECTED TIMETABLE⁽¹⁾

Applicants who paid the application monies from a single bank account may have e-Refund payment instructions (if any) dispatched to the application payment bank account on Monday, 30 December 2019. Applicants who used multi-bank accounts to pay the application monies may have refund cheques (if any) dispatched to them on or before Monday, 30 December 2019. Applicants who have applied for less than 1,000,000 Hong Kong Public Offer Shares and any uncollected Share certificates (if applicable) and/or refund cheques (if applicable) will be dispatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms promptly thereafter. Further information is set out in "*How to Apply for Hong Kong Public Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies*".

- (10) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications in the event the final Offer Price is less than the price payable per Offer Share on application.

For details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Public Offer Shares, you should read "*Structure and Conditions of the Global Offering*" and "*How to Apply for Hong Kong Public Offer Shares*" in this prospectus.

CONTENTS

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdictions other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorised anyone to provide you with information that is different from that contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering. Information contained on our website, located at www.newborntown.com, does not form part of this prospectus.

EXPECTED TIMETABLE	i
CONTENTS	v
SUMMARY	1
DEFINITIONS	27
GLOSSARY OF TECHNICAL TERMS	45
FORWARD-LOOKING STATEMENTS	51
RISK FACTORS	53
WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES	94
INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING	98

CONTENTS

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING	101
CORPORATE INFORMATION	109
INDUSTRY OVERVIEW	112
REGULATORY OVERVIEW	141
HISTORY AND CORPORATE STRUCTURE	162
BUSINESS	205
CONTRACTUAL ARRANGEMENTS	311
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS GROUP	337
CONTINUING CONNECTED TRANSACTIONS	341
DIRECTORS AND SENIOR MANAGEMENT	347
SUBSTANTIAL SHAREHOLDERS	357
SHARE CAPITAL	359
FINANCIAL INFORMATION	363
FUTURE PLANS AND USE OF PROCEEDS	442
CORNERSTONE INVESTORS	451
UNDERWRITING	458
STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING	469
HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES	480
APPENDIX I – ACCOUNTANT’S REPORT	I-1
APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III – SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV – STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V – DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment in the Offer Shares. Some of the particular risks associated with an investment in the Offer Shares are set out in “Risk Factors”. You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS OVERVIEW

We are a fast-growing mobile app developer and mobile advertising platform services provider based on AI technologies. We generate revenue mainly from the traffic monetisation of our self-developed mobile apps and the provision of mobile advertising services to advertisers as an ad agency through our proprietary advertising platform.

Our history can be traced back to 2011, when our founder Mr. Liu Chunhe started his business as a mobile app developer. In May 2013, we launched our first mobile app Solo Launcher, which serves as a user interface for Android device users and was designed to provide a simpler and faster user experience with their devices. Solo Launcher achieved a certain degree of popularity in different parts of the world and remained one of our core products for attracting mobile device users as of the Latest Practicable Date. By 31 December 2018, it had achieved daily ranking No. 1 by downloads at least once in the “personalisation apps” category of Google Play in 89 countries and regions such as France, Israel, Singapore and Brazil according to the iResearch Report.

Based on the popularity of Solo Launcher, we developed more mobile device utilities apps such as screen locker, antivirus and battery management apps. In 2017 we started to launch mobile apps in other categories such as media & entertainment, fitness and games, thereby forming an app matrix later named “Solo X”. By 30 June 2019, we had attracted more than 796.8 million global users in terms of device ID to our apps cumulatively. While all our utilities apps are built on, and operate only in, the Android system, our other apps also include iOS apps. During the Track Record Period, all our apps were offered for free download in online app stores such as Google Play and App Store. We generate revenue from our apps mainly by way of selling in-app ad spaces to advertisers, thereby monetising the online traffic generated by our apps.

Leveraging our app user base, we entered into the mobile advertising industry and built our own programmatic mobile advertising platform, later named “Solo Math”. The first module of Solo Math was launched in October 2014. Solo Math attracts and processes requests from advertisers and matches them with publishers to effect mobile advertising transactions through online procedures automated by computer programmes. We charge advertisers for traffic acquisition and pay publishers for publishing advertisers’ ads on their apps’ ad spaces. Through five years of research and development, we added different modules and functions to our Solo Math platform and enhanced its efficiency through AI technologies.

SUMMARY

We take up a small share in the large global mobile app and programmatic mobile advertising markets. According to the iResearch Report, in 2018, the scale of the global mobile app market amounted to US\$365.2 billion, with the top five players in the market taking up approximately 61.7% of the market share in terms of advertising and in-app purchase revenue. The market share of our proprietary apps in terms of revenue in the global mobile app market in 2018 was approximately 0.004%. In 2018, the scale of global programmatic mobile advertising market amounted to US\$60.7 billion, with the top one and top two players in the market taking up approximately 28.2% and 5.9% of the market share in terms of revenue, respectively. The market share of our programmatic mobile advertising platform in terms of revenue in the global mobile app market in 2018 was approximately 0.04%.

The following table sets forth a breakdown of our revenue by business line during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Mobile advertising platform and related business ⁽¹⁾	112,953	82.5	154,162	84.8	183,762	66.4	79,878	68.4	69,907	37.9
Proprietary app traffic monetisation business	23,899	17.5	27,680	15.2	92,924	33.6	36,824	31.6	114,460	62.1
Total	136,852	100.0	181,842	100.0	276,686	100.0	116,702	100.0	184,367	100.0

Note:

- (1) Related business mainly includes the provision of mobile advertising software upgrade and optimisation services upon request of our customers.

Proprietary App Traffic Monetisation (“Solo X”)

We develop a variety of mobile apps to acquire users and offer them to mobile device users free-of-charge in exchange for mobile traffic that we monetise by selling in-app ad spaces to advertisers. We provide wide-ranging and diversified apps to mobile device users to achieve a smooth and customised user experience covering diverse mobile usage scenarios. We organise our Solo X products into four sub-matrices, namely User System, Fitness, Media & Entertainment and Games. We have developed various apps in each sub-matrix to create a tailored experience for the users’ specific needs. We engage our users and improve user experience through our portfolio of popular apps, frequent content updates and optimisation with the support of our AI technologies. Our apps have attracted mobile users from more than 200 countries and regions, mainly in Asia, Americas and Europe.

SUMMARY

During the Track Record Period, all of our apps were offered for free download in app stores such as Google Play and App Store. Most of our apps do not have in-app purchases and generate revenue for us only from selling in-app ad spaces. A few of our game apps offer in-app purchases of premium functions and virtual items. Throughout the Track Record Period, in-app purchases represented less than 1% of our total revenue.

We carry out our proprietary app traffic monetisation through the following steps:

- We collect and analyse the data from app stores and other third-party mobile app analytics platforms to gain insights into the trends and developments in the global app market;
- We develop an app and promote it by in-app cross promotion within our Solo X product matrix and also by marketing our brand, products and services globally to mobile internet users primarily through top global internet companies acting as ad agencies; and
- We monetise the traffic generated by such app mainly through mobile advertising. We sell ad spaces within such app to third party advertisers, whose ads are presented in such app to its users. We charge our advertisers by the number of impressions of the ads delivered, meaning the number of times such ads have been viewed by or displayed to mobile device users.

Our monetisation ability is driven by the growth of our apps' user base, our insight into user interests and demands based on data collection and analysis, and the precision targeting of the preferred audience for specific content in a variety of usage scenarios based on AI technologies. The number of average daily impressions delivered on our apps increased from 4.3 million in 2016 to 11.6 million in 2018, representing a CAGR of 65.5%, and increased by 314.8% from the first half of 2018 to the first half of 2019. Our revenue from proprietary app traffic monetisation increased from RMB23.9 million in 2016 to RMB92.9 million in 2018, representing a CAGR of 97.2%, and increased from RMB36.8 million in the first half of 2018 to RMB114.5 million in the first half of 2019. The significant increases in both the average daily impressions and revenue from monetising our apps in the first half of 2019 were mainly a result of our continued efforts to develop, launch and promote new apps, in particular in the PRC in cooperation with a newly established third party ad network for the traffic monetisation of our apps in the PRC.

SUMMARY

The following table sets forth certain user statistics of our Solo X sub-matrices during the Track Record Period.

	By/For the year ended 31 December			By/For the six months ended 30 June
	2016	2017	2018	2019
Number of users (millions)⁽¹⁾⁽²⁾	397.3	476.6	669.9	796.8
User System sub-matrix	397.3	439.0	509.7	569.4
Media & Entertainment sub-matrix	–	22.5	86.8	108.3
Fitness sub-matrix	–	11.9	54.1	83.7
Games sub-matrix	–	3.1	19.4	35.5
Average DAUs (millions)⁽¹⁾⁽³⁾	21.0	17.1	24.0	35.0
User System sub-matrix	21.0	15.5	15.8	20.3
Media & Entertainment sub-matrix	–	0.9	4.5	7.3
Fitness sub-matrix	–	0.7	3.3	6.7
Games sub-matrix	–	0.1	0.4	0.7
Average MAUs (millions)⁽¹⁾⁽⁴⁾	99.1	79.1	114.5	164.0
User System sub-matrix	99.1	67.8	71.5	93.0
Media & Entertainment sub-matrix	–	5.6	23.3	33.5
Fitness sub-matrix	–	4.6	17.0	32.3
Games sub-matrix	–	1.1	2.7	5.2
Number of Impressions (millions)	1,556.8	1,384.4	4,252.2	7,162.2
User System sub-matrix	1,556.8	1,372.7	1,216.4	5,274.4
Media & Entertainment sub-matrix	–	0.002	1,381.8	557.3
Fitness sub-matrix	–	4.1	1,124.8	820.0
Games sub-matrix	–	7.6	529.2	510.5
eCPM (RMB)	15.3	20.0	21.3	15.8
User System sub-matrix	15.3	19.8	18.2	12.5
Media & Entertainment sub-matrix	–	20.3	20.0	22.2
Fitness sub-matrix	–	21.6	21.8	21.9
Games sub-matrix	–	41.7	30.6	32.0

Notes:

- (1) An individual may have more than one mobile devices and these mobile devices will be counted as more than one users based on the device IDs.
- (2) The number of users of each sub-matrix is calculated by the number of downloads cumulatively since the launch of each app in the sub-matrix excluding the overlapping users of apps within a sub-matrix; the total number of users is the sum of the number of users of the four sub-matrices without excluding the overlapping user of sub-matrices.

SUMMARY

- (3) Calculated as the average of the DAUs in each indicated period; a user accessing several apps within one sub-matrix per day is counted as one active user; the total average DAUs is the sum of average DAUs of the four sub-matrices without excluding the overlapping users of sub-matrices.
- (4) Calculated as the average of the MAUs in each indicated period; a user accessing several apps within one sub-matrix per month is counted as one active user; the total average MAUs is the sum of average MAUs of the four sub-matrices without excluding the overlapping users of sub-matrices.

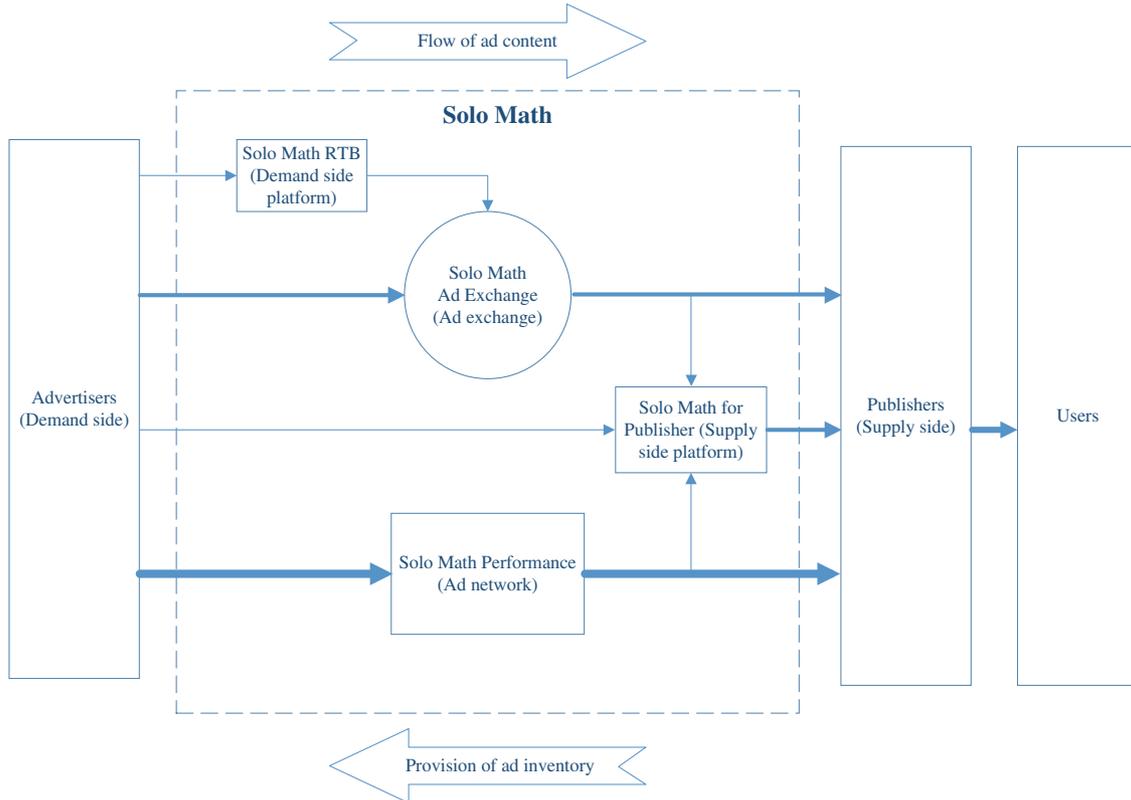
In 2017, we focussed on apps in new categories beyond the User System sub-matrix. As a result, while the average DAUs and average MAUs of the User System sub-matrix recorded a moderate decrease, our revenue generated from proprietary app traffic monetisation increased by 15.8% from 2016 to 2017. The overall number of users, average DAUs and average MAUs of our apps increased in 2018 and the first half of 2019 as we continued to optimise and update our apps, develop new apps and increase promotional efforts. The number of impressions increased significantly in 2018 and the first half of 2019 as our Media & Entertainment and Fitness apps generated more impressions while our User System apps benefitted from our cooperation in the PRC with a newly established third party ad network. While our Directors believe that the eCPM achieved through such newly established third party ad network was lower than certain existing advertiser customers, leading to a decrease of our overall eCPM from RMB21.3 in 2018 to RMB15.8 in the first half of 2019, the concurrent significant increase in the number of impressions more than compensated for the decrease in eCPM and led to a significant increase in our revenue from proprietary app traffic monetisation. Please see the section headed “Business – Business Operations – Solo X Product Matrix – Key Operational Data” for the detailed definitions and analysis of the operational data of our mobile apps.

Mobile Advertising Platform Services (“Solo Math”)

In addition to monetising our own apps through the sale of in-app ad spaces, we serve as an ad agency and provide mobile traffic acquisition services to advertisers through our proprietary programmatic mobile advertising platform Solo Math. As we purchase ad inventories from publishers for resale to advertisers through Solo Math, we are effectively also providing a monetisation service to publishers, in that they can use Solo Math to sell their in-app ad spaces, although we do not charge publishers directly for such service. The programmatic mobile advertising industry value chain includes four types of key modules, namely the demand side platforms, supply side platforms, ad exchanges and ad networks, while Solo Math has all of these four modules.

SUMMARY

The flowchart below illustrates how the four modules of our Solo Math platform function:



Our Solo Math functions like an AI-powered supermarket of mobile and online ad spaces, or “ad inventories”. Publishers place their ad inventories in the supermarket, advertisers bid for the ad inventories that meet their ad campaign parameters and specific marketing demands and Solo Math employs automated procedures to settle the transactions. The key functions of Solo Math are aggregating ad inventories from publishers and matching them with advertisers’ demand by employing a central ad server to deliver and present ads to internet users, which enables targeting, tracking and reporting of impressions or actions.

Each time an internet user sees a delivered ad on the host app, or clicks the ads and completes certain actions (such as installing the advertised app), this is deemed a valuable impression or user acquisition for the advertiser. We charge advertisers, and pay publishers, using pricing models commonly seen in the mobile advertising industry, such as cost per action or cost per thousand impressions, and recognise our charges to advertisers as the revenue and the charges by publishers as the cost of advertising placement.

SUMMARY

The following table sets forth certain operational data of our Solo Math programmatic mobile advertising platform and its four modules for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2016	2017	2018	2019
Solo Math Ad Exchange (SAX)				
Average number of monthly ads delivered (millions)	–	–	610.2	599.1
CPM (RMB)	–	–	2.3	2.5
eCPM (RMB)	–	–	0.6	0.7
Unique mobile devices reached per day (millions)	–	–	214.0	166.9
Number of impressions (millions)	–	–	4,881.4	3,594.7
Number of publishers (ad agencies) connected and transacted	–	–	58	51
Number of advertisers (ad agencies) connected and transacted	–	–	64	51
Average spending per advertiser (RMB'000)	–	–	177.7	173.1
Solo Math Performance (SP)				
Average number of monthly ads delivered (millions)	488.8	5,609.9	6,765.5	8,590.0
CPI (RMB)	2.0	4.9	4.8	4.8
eCPI (RMB)	1.7	2.8	2.6	2.6
Unique mobile devices reached per day (millions)	3.1	33.9	40.1	52.5
Number of installs (millions)	1.3	24.0	28.9	12.3
Number of publishers (ad agencies) connected and transacted	82	262	320	174
Number of advertisers (ad agencies) connected and transacted	59	223	438	199
Average spending per advertiser (RMB'000)	46.1	531.1	315.3	297.5
Solo Math For Publisher (SFP)				
Average number of monthly ads delivered (millions)	130.4	54.5	27.5	9.7
CPM (RMB)	35.6	25.0	27.9	28.0
eCPM (RMB)	24.4	22.4	36.2	44.3
Unique mobile devices reached per day (millions)	6.2	2.6	1.3	0.5
Number of impressions (millions)	1,565.2	653.6	329.8	58.2
Number of publishers (ad agencies) connected and transacted	228	311	412	393
Number of advertisers (ad agencies) connected and transacted	2	5	12	9
Average spending per advertiser (RMB'000)	27,897.3	3,270.3	768.0	180.8
Solo Math RTB (SRTB)				
Number of advertisers (ad agencies) connected and transacted	–	–	1	1
Average spending per advertiser (RMB'000)	–	–	6.0	120.0
Solo Math (Total)				
Unique mobile devices reached per day (millions)	9.3	36.5	255.4	219.9
Number of impressions (millions)	1,565.2	653.6	5,211.1	3,652.9
Number of installs	1.3	24.0	28.9	12.3
Number of publishers (ad agencies) connected and transacted	301	527	712	546
Number of advertisers (ad agencies) connected and transacted	39	173	387	208
Average spending per advertiser (RMB'000)	1,500.4	779.1	410.0	335.5

SUMMARY

The unique mobile devices reached per day for our Solo Math platform in total increased significantly in 2018 mainly because we launched the highly automated SAX module. The decrease of the average spending per advertiser for Solo Math platform during the Track Record Period was mainly because, as we intensified our efforts to increase the market penetration of Solo Math, aside from large-scale and leading advertisers, we may also reach smaller advertisers who tend to spend less with us. Our Directors believe that the decrease in the average spending per advertiser did not have any significant impact on our business as our CPM and CPI, being the unit prices of our services under different modules of Solo Math, remained stable or showed a slight increase despite the decreases in average spending per advertiser. Please see the section headed “Business – Business Operations – Mobile Advertising Platform Services – Key Operational Data” for the definitions and detailed analysis of the operational data of our mobile advertising platform.

Our revenue from programmatic advertising and related business increased rapidly from RMB58.5 million in 2016 to RMB172.8 million in 2018, representing a CAGR of 71.9%, and slightly decreased from RMB73.4 million in the first half of 2018 to RMB69.8 million in the first half of 2019 mainly due to a decrease in the revenue generated via the SP module, which was partially offset by an increase in the revenue generated via the SAX module. Consistent with industry norm according to iResearch, SP as an ad network mainly connects small- and medium-sized publishers to the best of our Directors’ knowledge. Our Directors believe that our advertisers reduced their advertising spending via the SP module in the first half of 2019 in view of uncertainties in the global and local economies. Subsequent to the Track Record Period and up to 31 October 2019, the revenue generated via both SP and SAX recorded increases compared with the same period in 2018 based on our unaudited management accounts.

CUSTOMERS AND SUPPLIERS

Customers

Our customers are mainly advertisers that need advertising solutions to help them conduct mobile advertising campaigns. They include:

- app developers looking to advertise their apps,
- brand advertisers looking to advertise their brands or products; and
- ad agencies representing such app developers or brand advertisers.

Our customer base includes the largest global search engine company, the biggest global social media platform, the largest mobile advertising provider in India and a number of established companies well-known to the general public.

SUMMARY

Revenue from our top five customers accounted for 36.3%, 36.5%, 46.1% and 59.3% of our total revenue in 2016, 2017, 2018 and the first half of 2019, respectively. Revenue from our largest customer accounted for 9.6%, 11.6%, 24.1% and 23.3% of our total revenue for the same periods, respectively. Our customers include both advertisers purchasing the ad spaces within our self-developed apps and advertisers purchasing the ad spaces within third-party publishers' apps through Solo Math, and both types of customer are represented among our top five customers during the Track Record Period. We monetise the traffic of our proprietary apps mainly through cooperation with a few top global internet companies acting as advertisers. Accordingly, we transacted with only 15 advertisers in 2018 for our proprietary apps. By contrast, Solo Math as a platform attracts and transacts with a large number of advertisers, amounting to 387 advertisers in 2018.

Suppliers

Our suppliers are mainly mobile ad publishers that provide ad inventories to be sold through our Solo Math platform. They include both app developers and ad agencies representing app developers. Our suppliers also include IT service providers that provide internet infrastructure service and technical services.

Our top five suppliers accounted for 57.3%, 42.3%, 50.7% and 44.3% of our total purchases in 2016, 2017, 2018 and the first half of 2019, respectively. Our largest supplier accounted for 20.7%, 10.6%, 15.6% and 11.5% of our total purchases for the same periods, respectively.

Overlapping of Customers and Suppliers

It is common in the mobile advertising industry that publishers may become advertisers when they have advertising needs to market their apps or services, according to the iResearch Report. For our mobile advertising platform and related business, some of our customers who use our mobile user acquisition or related services are also our suppliers who supply ad inventories.

OUR STRATEGIC INVESTMENT

We invested in Beijing Duanji for a consideration of RMB17.9 million in May 2016 (the “**2016 Mico Investment**”). Subsequent to the 2016 Mico Investment, we held an equity interest of approximately 17.9% in Beijing Duanji and other shareholders of Beijing Duanji included established investors in the PRC mobile internet industry, such as Plum Venture and the founders of other PRC mobile internet companies. Beijing Duanji was merged with Mico in May 2017, after which we held an equity interest of approximately 8.95% in Mico. We further invested RMB100.0 million in Mico in March 2019 (the “**2019 Mico Investment**”, together with the 2016 Mico Investment, the “**Mico Investment**”). As of the Latest Practicable Date, we held an equity interest of approximately 16.77% in Mico. For further details of the Mico investment, see “Business – Our Strategic Investment” in this prospectus.

SUMMARY

COMPETITION

Global and China's Overseas Mobile App Markets

According to the iResearch Report, in 2018, the total number of global app downloads reached 194 billion. The application of 5G mobile network starting from 2019 will further stimulate mobile users' demand for mobile apps. The scale of the global mobile apps market, including the advertising revenue and in-app purchase revenue, increased from US\$97.7 billion in 2014 to US\$365.2 billion in 2018, representing a CAGR of 39.0%. It is estimated to continue growing at a CAGR of 20.7% from 2018 to 2023, and reach US\$935.2 billion in 2023. With the improvement of mobile device performance, there was a significant increase of the number of apps developed by PRC internet companies who engaged in and focussed on overseas markets around 2015. According to the iResearch Report, the scale of China's overseas mobile app market increased from US\$3.5 billion in 2014 to US\$14.1 billion in 2018, representing a CAGR of 41.6%. It is estimated to continue growing at a CAGR of 22.2% from 2018 to 2023, and reach US\$38.5 billion in 2023.

The market share of our proprietary apps in terms of revenue contribution in the global and China's overseas mobile app markets in 2018 was approximately 0.004% and 0.096%, respectively. The top five players in the global overseas app market, such as a leading global social networking platform and a top global e-commerce platform accounted for approximately 61.7% of the total market in terms of revenue in 2018.

Global and China's Overseas Mobile Advertising Markets

According to the iResearch Report, global mobile advertising spending reached US\$187.9 billion in 2018, accounting for 26.1% of total advertising spending. It is estimated that the market size of mobile advertising will be approximately US\$396.1 billion by 2023, accounting for 39.7% of the total advertising market. As the mobile advertising industry develops, user acquisition and monetisation demands from app developers are becoming even stronger. Additionally, the development of programmatic advertising started around 2012 and is becoming increasingly prevalent. According to the iResearch Report, the scale of global mobile programmatic advertising market reached US\$60.7 billion in 2018 and is estimated to reach US\$149.2 billion in 2023.

According to the iResearch Report, the increase in the number of PRC apps in overseas markets results in the demand for acquisition of global users, thereby creating a fast-growing market for the provision of mobile advertising services by PRC mobile advertising companies. According to the iResearch Report, the total advertising expenditure in China's mobile advertising overseas market increased at a CAGR of 52.8% from US\$2.0 billion in 2014 to US\$10.9 billion in 2018, and is estimated to reach US\$35.8 billion in 2023, growing at a CAGR of 26.9% from 2018 to 2023. The scale of China's overseas programmatic mobile advertising market reached approximately US\$0.32 billion in 2018.

SUMMARY

According to the iResearch Report, the market share of our programmatic advertising platform in terms of revenue contribution in the global mobile advertising market in 2018 was approximately 0.04%. The top one (a top internet and technology company) and top two (a leading social networking platform) player in the global programmatic mobile advertising market accounted for approximately 28.2% and 5.9% of the total market in terms of revenue in 2018, respectively. The market share of our programmatic advertising platform in terms of revenue contribution in China's overseas mobile advertising market in 2018 was approximately 7.99%, ranking us the fourth among PRC mobile advertising companies focussing on providing mobile marketing services in overseas markets. The top three PRC mobile advertising companies accounted for approximately 46.98%, 19.05% and 11.90%, respectively, of China's overseas mobile advertising market in terms of revenue in 2018.

Please see the section headed "Industry Overview" in this prospectus for further details.

COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success to date:

- A synergetic business model empowered by complementary proprietary app traffic monetisation and mobile advertising platform
- Diversified product offerings and fast growing global user base
- A leading programmatic advertising platform covering the value chain of the mobile advertising industry
- Robust big data and advanced AI capabilities based on practical scenarios
- Fast growing and high-quality global advertiser base and a sizable network of publishers
- Visionary, experienced and stable management team

BUSINESS STRATEGIES

Our mission is to precisely connect mobile internet users and information. To that end, we plan to implement the following strategies:

- Continue to upgrade Solo Aware and strengthen our data and technology advantages
- Continue to enrich and expand Solo X product matrix and expand our user base
- Reinforce our programmatic Solo Math advertising platform
- Expand our localised service and distribution network

SUMMARY

- Attract, retain and cultivate excellent employees
- Explore strategic investments and acquisitions opportunities

RISK FACTORS

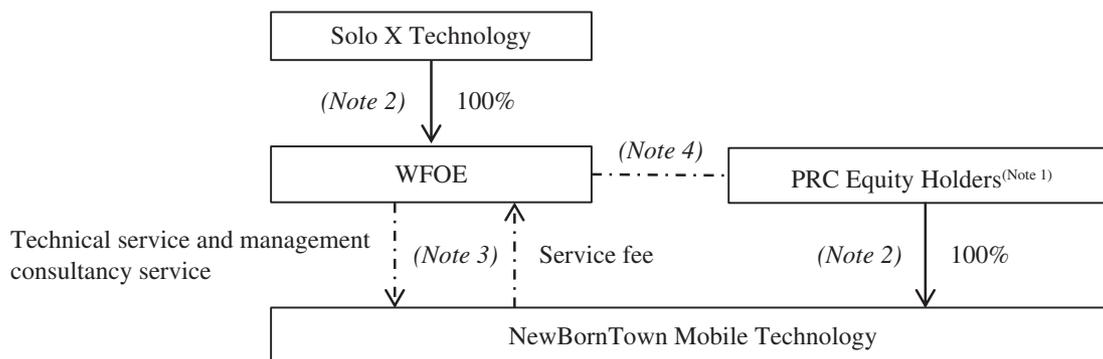
Our business and the Global Offering involve certain risks, which are set out in the section headed “Risk Factors” in this prospectus. You should read that section in its entirety carefully before you decide to invest in the Offer Shares. Some of the major risks we face include: (i) we operate in the rapidly evolving mobile internet industry with fierce competition and may not be able to compete successfully against our existing and future competitors; (ii) we started to launch our proprietary apps only in 2013 and our mobile advertising platform only in 2014 and our limited operating history makes it difficult to forecast our business performance and prospects; (iii) we may fail to continue to improve the monetisation efficiency of our Solo Math platform to attract and retain advertisers and publishers that use such platform for mobile advertising transactions; (iv) as most of our representative mobile apps in operation have a relatively short expected lifecycle of 12 to 18 months, we need to continuously develop and launch new popular apps to generate traffic for monetisation and may not be successful in doing so; and (v) while we are based in China, we generate revenue from various overseas markets, which subjects us to challenges such as prioritising different regional markets, finding suitable local business partners, complying with local laws and regulations and dealing with foreign exchange fluctuation.

CONTRACTUAL ARRANGEMENTS

The Company is principally engaged in proprietary app traffic monetisation business and mobile advertising platform and related business, among which proprietary app traffic monetisation business, considered as value-added telecommunications services in the PRC, is a sector where foreign investment is subject to restrictions under the PRC laws and regulations. In order to comply with the PRC laws and regulations, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we control our Consolidated Affiliated Entities through the Contractual Arrangements entered into on 26 June 2019. Hence, we do not directly own any equity interest in our Consolidated Affiliated Entities. Under the Contractual Arrangements, we, through the WFOE, have acquired effective control over the financial and operational policies of the Consolidated Affiliated Entities and has become entitled to all economic benefits derived from their operations to the extent permitted under the PRC laws and regulations. For further details, please see section headed “Contractual Arrangements”.

SUMMARY

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



Notes:

- (1) PRC Equity Holders refer to the registered shareholders of NewBornTown Mobile Technology, namely: Mr. Liu Chunhe, Mr. Huang Mingming, Mr. Ye Chunjian, Mr. Du Li, Mr. Li Ping, Longwin Xinhua, Plum Venture, Haitong Kaiyuan, Haitong Xinxi, Phoenix Fortune, Beijing Amphora, Hande Houcheng, and China Fuqiang.
- (2) “—>” denotes direct legal and beneficial ownership in the equity interest (except in the case of Huang Mingming, which the beneficial ownership in the equity interest of NewBornTown Mobile Technology is held by Huang Mingming on behalf of Future Capital Discovery Fund I, L.P.).
- (3) “--->” denotes contractual relationship, please refer to “Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements” for details.
- (4) “----” denotes the control by WFOE over the PRC Equity Holders and NewBornTown Mobile Technology through (i) powers of attorney to exercise all shareholders’ rights in NewBornTown Mobile Technology, (ii) exclusive equity call options to acquire all or part of the equity interests in NewBornTown Mobile Technology, (iii) exclusive asset call options to acquire all or part of the intellectual property and all other assets of NewBornTown Mobile Technology, and (iv) equity pledges over the equity interests in NewBornTown Mobile Technology.

MOFCOM published a discussion draft of a proposed foreign investment law (《中華人民共和國外國投資法》) (the “2015 Draft Foreign Investment Law”) in January 2015, which stipulated restriction of foreign investment in certain industry sectors. The “negative Catalogue” set out in the 2015 Draft Foreign Investment Law classified the relevant prohibited and restricted industries into the Catalogue of Prohibitions and the Catalogue of Restrictions, respectively, whereas it did not specify the businesses to be included therein. Also, the 2015 Draft Foreign Investment Law provided that entities established in China but “controlled” by foreign investors will be treated as FIEs, whereas an entity organised 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 “restricted category” on the “negative catalogue”. As at the Latest Practicable Date, there is no definite timeline when the 2015 Draft 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.

SUMMARY

On 15 March 2019, the NPC adopted the PRC foreign investment law* (《中華人民共和國外商投資法》) (the “Foreign Investment Law”), which will become effective from 1 January 2020. The Foreign Investment Law stipulates three forms of foreign investment, but does not mention concepts including “actual control” and “control over our PRC Operating Entities by PRC entities/citizens”, nor does it explicitly stipulate the contractual arrangements as a form of foreign investment. Furthermore, there remain significant uncertainties about the relationship between the Foreign Investment Law and the 2015 Draft Foreign Investment Law because there are no relevant implementing rules or official explanation.

Please refer to sections headed “Risk Factors – Risks Relating to our Contractual Arrangements” and “Contractual Arrangements – Development in Legislation on Foreign Investment in Mainland China” for further details.

PRE-IPO INVESTMENTS AND CONTROLLING SHAREHOLDERS GROUP

In support of the business operations and development of our PRC operating entities, we introduced a total of 10 Pre-IPO Investors which either subscribed for new shares of NewBornTown Mobile Technology or acquired the equity interests from certain then existing shareholders, including Mr. Du Li, Future Capital Discovery Fund I, L.P., Plum Venture, Haitong Kaiyuan, Haitong Xinxu and Phoenix Fortune. We have popular PRC angel investors amongst these Pre-IPO Investors. Please see “History and Corporate Structure-Pre-IPO Investment” for further details.

The Controlling Shareholders Group, namely Mr. Liu Chunhe and Mr. Li Ping, and their respective holding entities, is a group of individuals acting in concert with each other and is the controlling shareholder of our Company. After the Repurchases, the Controlling Shareholders Group was interested in approximately 35.52% of the total issued share capital of our Company. Immediately upon completion of the Capitalisation Issue and the Global Offering, the Controlling Shareholders Group will be interested in approximately 30.69% of the total issued share capital of our Company, comprising (i) Shares representing approximately 23.38% of the share capital of our Company held by Spriver Tech Limited, (ii) Shares representing approximately 7.31% of the share capital of our Company held by Parallel World Limited. See “Relationship with the Controlling Shareholders Group” for further details.

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth a summary of the financial information for the three years ended on 31 December 2016, 2017 and 2018 and six months ended 30 June 2018 and 2019, and should be read together with the consolidated financial information in Appendix I to this prospectus, including the notes thereto. Our consolidated financial information has been prepared in accordance with IFRS.

SUMMARY

Summary of Consolidated Statements of Comprehensive Income

	For the years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	(RMB'000)	(RMB'000)
Revenue from contracts with customers	136,852	181,842	276,686	116,702	184,367
Cost of revenue	(65,949)	(111,468)	(135,266)	(60,343)	(61,493)
Gross Profit	70,903	70,374	141,420	56,359	122,874
Selling and marketing expenses	(9,919)	(33,693)	(68,975)	(23,368)	(52,736)
Research and development expenses	(2,596)	(11,538)	(17,492)	(8,790)	(9,512)
General and administrative expenses	(12,139)	(13,459)	(14,981)	(6,490)	(63,807)
Net impairment losses on financial assets	(10,123)	(1,584)	(6,963)	(1,194)	(438)
Other income	819	1,392	58	–	71
Other gain – net	19,238	25,374	35,723	21,796	23,923
Operating profit	56,183	36,866	68,790	38,313	20,375
Finance cost, net	(203)	(90)	(180)	(111)	30
Fair value changes of convertible redeemable preferred shares	–	–	–	–	91
Profit before income tax	55,980	36,776	68,610	38,202	20,496
Income tax expenses	(14,765)	(4,795)	(8,873)	(4,992)	(8,770)
Profit for the year/period	41,215	31,981	59,737	33,210	11,726
Other comprehensive income/(loss), net of tax					
Items that maybe subsequently reclassified to profit or loss					
Currency translation differences	3,674	(7,277)	8,028	1,961	1,364
Total comprehensive income for the year/period	44,889	24,704	67,765	35,171	13,090
Non-IFRS measures⁽¹⁾					
Adjusted net profit ⁽²⁾	41,215	31,095	60,024	33,210	62,544

SUMMARY

Notes:

- (1) We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. The use of such measures has limitations as an analytical tool, 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 IFRS. See “Financial Information – Description of Major Components of our Results of Operations – Non-IFRS Measures” in this prospectus for further details.
- (2) We define adjusted net profit as profit for the year/period adjusted by share-based compensation expenses, listing expenses, interest income from loan to third parties, and fair value changes of convertible redeemable preferred shares, and net of their respective tax effects.

Our total revenue increased from RMB136.9 million in 2016 to RMB181.8 million in 2017, and further to RMB276.7 million in 2018, primarily due to the rapid growth in the revenue from our programmatic mobile advertising business during the Track Record Period and a significant growth in the revenue from our proprietary app traffic monetisation business in 2018. Our total revenue increased from RMB116.7 million for six months ended 30 June 2018 to RMB184.4 million for six months ended 30 June 2019, primarily due to the continuous growth of our proprietary app traffic monetisation business.

Our other gain – net mainly represented fair value changes in financial assets measured at FVPL and exchange gain or loss. The following table sets forth a breakdown of our other gain – net for the periods indicated:

	For years ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	(Unaudited)									
Fair value changes of financial assets measured at FVPL	19,211	99.9	27,850	109.8	31,704	88.7	20,475	93.9	23,301	97.4
Exchange gain or loss	386	2.0	(2,475)	(9.8)	4,033	11.3	1,333	6.1	629	2.6
Others	(359)	(1.9)	(1)	(0.0)	(14)	(0.0)	(12)	(0.1)	(7)	(0.0)
Total	19,238	100.0	25,374	100.0	35,723	100.0	21,796	100.0	23,923	100.0

SUMMARY

Our other gain – net increased from RMB19.2 million in 2016 to RMB25.4 million in 2017, primarily driven by the increased gains on fair value movement of our investment in Mico. Our other gain – net increased from RMB25.4 million in 2017 to RMB35.7 million in 2018, primarily due to the increase in our foreign exchange gains and the gains on fair value changes of Mico investment. Our other gain – net increased from RMB21.8 million for six months ended 30 June 2018 to RMB23.9 million for six months ended 30 June 2019, primarily due to the continuous increase in the valuation of our equity investment in Mico.

Our profit for the year experienced a decrease from RMB41.2 million in 2016 to RMB32.0 million in 2017, due to a significant increase in our cost for advertising placement at the rapid-growing stage of our business. Our profit for the year increased significantly from RMB32.0 million in 2017 to RMB59.7 million in 2018, primarily due to the enhanced profitability of our proprietary app traffic monetisation business as a result of enriched app types, the emergence of our popular apps, the continuing optimisation of our proprietary mobile apps and the promotion efforts. Our profit for the period experienced a decrease from RMB33.2 million for the six months ended 30 June 2018 to RMB11.7 million for the six months for the six months ended 30 June 2019, primarily due to the significant increase in general and administrative expenses. For more details, please refer to the section headed “Financial Information” in this prospectus.

Non-IFRS measures - Reconciliation

To supplement our consolidated statements of profit or loss, which are presented in accordance with IFRS, we also use adjusted net profit as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures help identify underlying trends in our business that could otherwise be distorted by the effect of the expenses that we include in income from operations and net profit, and therefore provide useful information to investors and others in understanding and evaluating our results of operation by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance, which is in the same manner as the action of our management when comparing financial results across accounting periods. We also believe that these non-IFRS measures provide useful information about our operating results, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

SUMMARY

The following tables set forth the reconciliations of our non-IFRS financial measures, net of tax effects on the adjustments, for the periods indicated, to the nearest measures prepared in accordance with IFRS:

	For the year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit for the year/period	41,215	31,981	59,737	33,210	11,726
Add:					
Share-based compensation expenses ⁽¹⁾	–	–	–	–	36,847
Listing expenses ⁽¹⁾	–	–	338	–	15,230
Less:					
Interest income from loan to third parties ⁽²⁾	–	(1,042)	–	–	–
Fair value changes of convertible redeemable preferred shares ⁽³⁾	–	–	–	–	(91)
Tax effect ⁽⁴⁾	–	156	(51)	–	(1,168)
Adjusted net profit	<u>41,215</u>	<u>31,095</u>	<u>60,024</u>	<u>33,210</u>	<u>62,544</u>
Net profit growth	N/A	(22.4%)	86.8%	N/A	(64.7%)
Adjusted net profit growth	N/A	(24.6%)	93.0%	N/A	88.3%
Net profit margin ⁽⁵⁾	30.1%	17.6%	21.6%	28.5%	6.4%
Adjusted net profit margin ⁽⁶⁾	30.1%	17.1%	21.7%	28.5%	33.9%

Notes:

- (1) In June 2019, the Company repurchased certain shares redeemable with certain senior management members of the Company at a consideration lower than the fair value of the repurchased shares (i.e. at which consideration such shares could be redeemed). The difference represented a reduction in the redemption liabilities of such senior management members and was deemed economic benefits received by them. Such item is non-recurring as it is derived from a one-off event.
- (2) Including interest income from a loan to a third party. As the loan had been repaid in full, we consider it to be one-off and non-recurring.
- (3) Such item is non-recurring as it is derived from a one-off event.
- (4) Including tax effects on listing expenses and interest income from loan to third parties, which are calculated with tax rates of 25% for 2016 and 15% for other periods.
- (5) Calculated as profit for the year/period divided by revenue and multiplied by 100%.
- (6) Calculated as adjusted net profit for the year/period divided by revenue and multiplied by 100%.

SUMMARY

Summary of Consolidated Balance Sheets Items

	As of 31 December			As of 30 June	As of 31 October
	2016	2017	2018	2019	2019
	(Unaudited)				
	(RMB in thousands)				
Current assets	469,957	454,761	525,157	378,291	324,439
Current liabilities	86,510	74,638	101,712	188,626	111,547
Net current assets	383,447	380,123	423,445	189,665	212,892
Non-current assets	51,250	63,457	89,072	199,335	199,068
Non-current liabilities	1,320	2,999	4,171	8,462	8,461
Net assets	433,377	440,581	508,346	380,538	403,499
(Accumulated losses)/					
Retained earnings	(69,367)	(38,334)	19,023	30,749	52,294
Total equity	433,377	440,581	508,346	380,538	403,499

Compared with that as of 31 December 2018, our net assets as of 30 June 2019 decreased by RMB127.8 million, primarily due to (i) share repurchases at a total consideration of RMB160.0 million, of which RMB123.4 million was charged to capital reserve and the remaining RMB36.6 million was recognised as share-based compensation expenses and recorded under general and administrative expenses. On the other hand, such repurchases led to a decrease of cash and cash equivalents of RMB100.0 million and an increase in other payables of RMB60.0 million; and (ii) an increase of RMB18.2 million in our convertible redeemable preferred shares as a result of the conversion of ordinary shares held by China Fuqiang into convertible redeemable preferred shares in April 2019 and the subsequent re-designation and revaluation of such shares. Please refer to the section headed “Financial Information – Discussion on Certain Key Consolidated Balance Sheet Items” and Note 29(i) in Appendix I to this prospectus for more details.

Our net current assets decreased slightly from RMB383.4 million in 2016 to RMB380.1 million in 2017, primarily due to the decrease in our financial assets measured at fair value through profit or loss (“**FVPL**”), partially offset by the decrease in our accounts payable and the increase in our accounts receivable and other receivable. Our net current assets increased from RMB380.1 million in 2017 to RMB423.4 million in 2018, primarily due to (i) the increase in our accounts receivable as a result of our business expansion; and (ii) the increase in our other receivable as a result of collection by senior management and two entities on behalf of our Group, see “Business – Certain Settlement Arrangements” for further details. Our net current assets decreased from RMB423.4 million as of 31 December 2018 to RMB189.7 million as of 30 June 2019, primarily due to the increase in our other payable and the decrease in our financial assets measured at FVPL, other receivable and accounts receivable. As of 31 October 2019, we had net current assets of RMB212.9 million, which increased by 12.2% as compared to that as of 30 June 2019, primarily due to (i) the decrease in our other payable,

SUMMARY

which was partially offset by the decrease in our cash and cash equivalents, mainly as a result of our payment of share repurchase consideration to Haitong Kaiyuan and Haitong Xinxi; and (ii) the decrease in our accounts payable. Please refer to “Financial Information – Discussion of Certain Key Consolidated Balance Sheet Items” for further details.

As of 31 December 2016, 2017 and 2018 and 30 June 2019, our financial assets measured at FVPL were RMB270.3 million, RMB261.7 million, RMB264.5 million and RMB322.7 million, respectively. Our financial assets measured at FVPL represent the financial products and equity interests we invested. These investments include wealth management products and funds issued by major and reputable financial institutions in the PRC, and strategic investments in private companies. We have established a set of investment policies and internal control measures to achieve reasonable returns on our investments of wealth management products while mitigating our exposure to investment risks, such as (i) investments shall be made when we have surplus cash that is not required for our short-term working capital purposes; (ii) the types of investments shall be generally very low risk or low risk wealth management products issued by qualified commercial banks; and (iii) investments shall generally be short-term and of a non-speculative nature in order to maintain our liquidity and financial flexibility. See “Financial Information – Discussion of Certain Key Consolidated Balance Sheets Items – Financial Assets Measured at FVPL” for further details.

At the beginning of the Track Record Period, we recorded an accumulated loss of RMB110.4 million, representing net losses incurred in previous years as we spent significant amounts on intensive marketing at an early stage of our businesses and services, while it took time for us to acquire users and to enhance user stickiness for our services before we were able to generate enough revenue to cover such initial costs. We transitioned into a net profit of RMB41.2 million in 2016, as (i) our growing programmatic mobile advertising platform service, in particular, our SFP and SP service, provided us with increasing gross profits; (ii) the revenue and profits generated from our media buy service, which was launched in September 2015, increased substantially due to favourable market conditions; and (iii) we spent less on marketing activities. See “Financial Information – Discussion of Certain Key Consolidated Balance Sheet Items – (Accumulated Loss)/Retained Earnings” for more details.

We continued to make profits during the Track Record Period, which fully covered our accumulated loss after the year ended 31 December 2018. Please refer to “Financial Information – Period-to-Period Comparison of Results of Operations” for reasons of the improvement of our financial performance. Although our products and services have achieved a global reach in recent years, we may not be able to sustain our historical growth rate in a rapidly evolving industry due to limited history. If we fail to address any of the risks and difficulties that we face, our business may suffer, our revenue may decline and we may not be able to achieve further growth or long-term profitability. See “Risk Factors – Our Solo X product matrix and Solo Math mobile advertising platform are relatively new and our limited operating history makes it difficult to forecast our business performance and prospects” for more details.

SUMMARY

Summary of Consolidated Statements of Cash Flows

	For the year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	(Unaudited)				
	(RMB in thousands)				
Operating cash flows before movements in working capital	51,238	16,694	44,592	19,974	36,062
Net cash (outflow)/inflow from operating activities	(57,172)	(16,154)	1,678	(12,523)	125,804
Net cash (outflow)/inflow from investing activities	(52,396)	34,585	4,571	68	1,175
Net cash inflow/(outflow) from financing activities	146,710	(20,787)	(3,343)	(1,655)	(102,277)
Net increase/(decrease) in cash and cash equivalents	37,142	(2,356)	2,906	(14,110)	24,702
Cash and cash equivalents at the beginning of the year/period	37,838	78,884	71,738	71,738	80,540
Effects of exchange rate changes on cash and cash equivalents	3,904	(4,790)	5,896	411	494
Cash and cash equivalents at end of year/period	78,884	71,738	80,540	58,039	105,736

We recorded negative cash flow from our operating activities of RMB57.2 million for the year ended 31 December 2016. Such cash outflow was largely due to an increase in accounts receivable of RMB106.6 million. At an early stage of our business operations, we were primarily revenue-driven focussing more on attracting new customers and generating revenues, and for the purpose of maintaining business relationship, we may occasionally consider to allow relatively lax collection periods towards certain customers after our assessment on their credibility. In addition, as an emerging market player, with limited bargaining power, we were in a weak position to negotiate for favourable credit terms, which also negatively affected our cash flow in the same period.

We recorded negative cash flow from our operating activities of RMB16.2 million for the year ended 31 December 2017, primarily due to a significant decrease in our profit before tax, as a result of (i) a decrease in the profit generated from our media buy business as we started to reduce our media buy business from 2017 due to its reducing margin and long receivable turnover days; (ii) a substantial increase in server leasing costs and traffic acquisition costs in 2017 to support the rapid expansion of our mobile advertising platform and related business; and (iii) a substantial increase in expenses for the comprehensive promotion of our mobile apps, which later resulted in a boom in our revenue from proprietary app traffic monetisation business in 2018. The negative cash flow was also resulted from the increase in our accounts receivable turnover days from 109 days to 203 days.

SUMMARY

We transitioned from negative operating cash flow in 2017 to positive operating cash flow in 2018, primarily due to (i) a large increase in our profit before income tax as a result of our continuous business growth and improved profitability; (ii) an increase in our accounts payable because of the increase in our cost for advertising placement and server capacity expense to support the rapid expansion of our business, which, in turn, was consistent with our business growth; and (iii) our enhanced accounts receivable collection management.

Compared with the net cash outflow of RMB12.5 million for six months ended 30 June 2018, we recorded a net cash inflow of RMB125.8 million for six months ended 30 June 2019, which was primarily because (i) the further expansion of our proprietary app traffic monetisation business enabled us to generate more cash inflows; and (ii) we recovered significant accounts receivable due from our customers as a result of our collection efforts and the fact that we granted new credits strictly according to our internal control policies. Please refer to “Financial Information – Liquidity and Capital Resources” for more details.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the periods indicated:

	As of and for the year ended 31 December			As of and for the six months ended 30 June
	2016	2017	2018	2019
	Revenue growth	N/A	32.9%	52.2%
Net profit growth	N/A	(22.4%)	86.8%	(64.7%)
Adjusted net profit growth ⁽¹⁾	N/A	(24.6%)	93.0%	88.3%
Gross profit margin	51.8%	38.7%	51.1%	66.6%
Net profit margin	30.1%	17.6%	21.6%	6.4%
Adjusted net profit margin ⁽¹⁾	30.1%	17.1%	21.7%	33.9%
Gearing ratio	16.9%	15.0%	17.2%	34.1%
Current ratio	543.2%	609.3%	516.3%	200.6%
Return on equity	9.5%	7.3%	11.8%	N/A
Return on assets	7.9%	6.2%	9.7%	N/A

Note:

- (1) These are non-IFRS measures. For the reconciliations of our non-IFRS financial measures, net of tax effects on the adjustments to the nearest measures prepared in accordance with IFRS, please see “Financial Information – Description of Major Components of our Results of Operations – Non-IFRS Measures – Reconciliation” in this prospectus.

See “Financial Information – Key Financial Ratios” for the detail calculation basis of our key financial ratios.

SUMMARY

DIVIDENDS

During the Track Record Period, we did not declare any dividends. We are a holding company incorporated in the Cayman Islands. The declaration of dividend is subject to the discretion of our Board. Taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and such other conditions and other factors which they may deem relevant at such time, our Board may recommend a payment of dividend out of our Group's net profit for the year attributable to owners of our Company in each financial year, commencing from the financial year ending 31 December 2020. Any declaration and payment as well as the amount of the dividend will be subject to the Articles, the Cayman Companies Law and any applicable laws and regulations. Currently, we do not have a formal dividend policy or a fixed dividend payout ratio.

LISTING EXPENSES

The listing expenses in connection with the Global Offering (including primarily underwriting commission and other expenses and assuming an Offer Price of HK\$1.60 per Offer Share, being the mid-point of the indicative Offer Price range) are estimated to be approximately RMB47.0 million, of which approximately RMB0.3 million and RMB15.2 million were charged to the consolidated statements of comprehensive income for the year ended 31 December 2018 and the six months ended 30 June 2019, respectively. We expect the remaining listing expenses of approximately RMB17.0 million will be charged to the consolidated statements of comprehensive income after the Track Record Period, and approximately RMB14.5 million will be deducted from the share premium. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

GLOBAL OFFER STATISTICS

All statistics in the following table are based on the assumptions that (i) the Capitalisation Issue and the Global Offering have been completed and 136,000,000 Shares are newly issued in the Global Offering; (ii) the Over-allotment Option is not exercised; and (iii) 1,000,000,000 Shares are issued and outstanding following the completion of the Global Offering.

SUMMARY

	Based on Offer Price of HK\$1.26 per Share, after Downward Offer Price Adjustment of 10%	Based on an Offer Price of HK\$1.40	Based on an Offer Price of HK\$1.80
Market capitalisation of our Shares	HK\$1,260 million	HK\$1,400 million	HK\$1,800 million
Unaudited pro forma adjusted net tangible asset per Share	HK\$0.53	HK\$0.55	HK\$0.60

Please refer to the section headed “Financial Information — Unaudited Pro Forma Statement of Adjusted Net Tangible Assets” for details.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.60, being the mid-point of the Offer Price range stated in this prospectus, we estimate that we will receive net proceeds of approximately HK\$165.4 million, after deduction of underwriting commissions and estimated expenses in connection with the Global Offering assuming the Over-allotment Option is not exercised.

Our Directors intend to apply the net proceeds from the Global Offering as follows:

- Approximately 41.1% or HK\$68.0 million is expected to be used to develop, expand and upgrade our Solo X product matrix;
- Approximately 34.6% or HK\$57.2 million is expected to be used to upgrade our Solo Math programmatic advertising platform;
- Approximately 17.0% of the net proceeds or HK\$28.2 million is expected to be used to enhance the big data and AI capabilities of our Solo Aware AI engine;
- Approximately 3.9% or HK\$6.4 million is expected to be used to enhance our local service capabilities and build our global information distribution network.
- Approximately 3.4% of the net proceeds or HK\$5.6 million is expected to be used for working capital and other general corporate purposes.

SUMMARY

In the event that we receive net proceeds from the Global Offering higher or lower than the estimated amount stated above (including where we make a Downward Offer Price Adjustment to set the Offer Price at HK\$1.26 per Offer Share upon making a full Downward Offer Price Adjustment), we will increase or decrease the intended use of the net proceeds for the above purposes on a pro rata basis.

As the Over-allotment Option only involves the Shares which may be sold by the Over-allotment Option Grantor, we will not receive any proceeds from the exercise of the Over-allotment Option. In the event the Over-allotment Option is exercised in full and assuming an Offer Price of HK\$1.60 per Offer Share (being the mid-point of the indicative offer price range stated in this prospectus), the Over-allotment Option Grantor will receive net proceeds of approximately HK\$31.3 million.

For further details, please see the section headed “Future Plans and Use of Proceeds”, for information relating to our future plan and use of proceeds from the Global Offering, including the adjustment on the allocation of the proceeds in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to 30 June 2019 and up to 31 October 2019, we recorded a significant increase in the revenue from our proprietary app traffic monetisation business, and a moderate increase in the revenue from our mobile advertising platform services business, compared with the same period in 2018 based on our unaudited management accounts. As the gross profit margin of our proprietary app traffic monetisation business is higher between our two business lines, with its revenue increase as a percentage of our total revenue, our overall gross profit margin also increased significantly subsequent to 30 June 2019 and up to 31 October 2019, compared with the same period in 2018.

Based on our audited financial results for the first half of 2019 and our unaudited management accounts subsequent to 30 June 2019 and up to 31 October 2019, we recorded increases in both of the revenue and the gross profit margin for the ten months ended 31 October 2019.

Our business remained stable subsequent to the Track Record Period. For our proprietary app traffic monetisation business, while the average MAUs for the ten months ended 31 October 2019 remained relatively stable compared with the average MAUs for the six months ended 30 June 2019, our total users increased to approximately 910.4 million up to 31 October 2019. Subsequent to 30 June 2019 and up to 31 October 2019, the average MAUs of our mobile apps increased by 36.1% compared with the same period in 2018. For our mobile advertising business, the number of advertisers and publishers (ad agencies) connected to and transacted with our Solo Math programmatic advertising platform increased to 255 and 647 for the ten months ended 31 October 2019, respectively.

SUMMARY

We adopted the Employee RSU Scheme on 11 December 2019 to incentivize employees and consultants (not being core connected persons of the Company under Listing Rules) for their contribution to the Group. Consultants refers to any person that provides research, development, consultancy and other technical or operational support to the Group and have contributed or will contribute to the Group. On 11 December 2019, the Company issued 9,365,745 Shares (representing approximately 3.77% of the total issued share capital of our Company as of the date of the adoption of the RSU Scheme) to Three D Partners Limited, a wholly-owned subsidiary of the Employee RSU Trustee. We adopted the Management RSU Scheme on 11 December 2019 to incentivize directors, senior management and officers of the Company or its subsidiaries for their contribution to the Group. On 11 December 2019, the Company issued 8,000,000 Shares (representing approximately 3.22% of the total issued share capital of our Company as of the date of the adoption of the RSU Scheme) to Bridge Partners Limited, a wholly-owned subsidiary of the Management RSU Trustee. The maximum number of Shares underlying RSUs under the RSU Schemes is 60,335,566 (after taking into consideration of adjustment pursuant to the Capitalisation Issue), representing approximately 6.03% of the issued share capital of our Company immediately upon completion of the Capitalisation Issue and Global Offering. The Shares underlying RSUs will be granted based on the contribution of the Employee RSU Participants and Management RSU Participants to the Group and the overall business performance of the Group. No RSUs will be granted by our Company pursuant to the RSU Schemes before the Listing or within the three months immediately following the completion of Global Offering. The grant of RSUs under the RSU Schemes will not involve any issue of new Shares or purchase of existing Shares after the Listing Date, which therefore will not incur a dilution of the shareholding of our Shareholders immediately following the Listing. For details and principal terms of the RSU Schemes, please refer to “Statutory and General Information – E. RSU Schemes” in Appendix IV to this prospectus.

Our business model has remained unchanged since 30 June 2019. Our Directors confirm that, since 30 June 2019 and up to the date of this prospectus, save for the share-based compensation expenses that may result from the RSU Schemes and the listing expenses to be incurred in connection with the Global Offering, there has been no other material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountant’s Report included in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, the following expressions have the following meaning unless the context otherwise requires. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.

“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Forms(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any one of them, relating to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of the Company, adopted on 11 December 2019 and will become effective upon Listing, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing Amber Creative”	Beijing Amber Creative Technology Co., Ltd. (北京琥珀創想科技有限公司), a company incorporated under the laws of the PRC with limited liability on 10 August 2015 in which we hold a 3.00% interest. Beijing Yunzhong Amber Technology Partnership Enterprise (Limited Partnership) (“ Yunzhong Amber ”) (北京雲中琥珀科技合夥企業(有限合夥)), Tang Cheng (湯城), Song Rui (宋銳), Xingyuan Silicon Valley (Shenzhen) Venture Capital Growth Fund (Limited Partnership) (星元硅谷(深圳)創投成長基金(有限合夥)), Zhao Liang (趙亮) and Hua Qiong (華琼) held 35.00%, 30.63%, 21.88%, 5.50%, 2.00% and 2.00% of the equity interest in Beijing Amber Creative, respectively, all of them being Independent Third Parties

DEFINITIONS

“Beijing Amphora”	Beijing Amphora Guotai Venture Capital Investment Co., Ltd. (北京安芙蘭國泰創業投資有限公司), a limited liability company established under the laws of the PRC on 14 January 2014 and a Pre-IPO Investor, which is held as to 60%, 5%, 20% and 15% by Sangzhuzi District Amphora Venture Capital Co., Ltd. (桑珠孜區安芙蘭創業投資有限公司), Shixin Ronghe Investment Management Co., Ltd. (世欣榮和投資管理股份有限公司), Beijing Guotai Quntong Investment Holdings Co., Ltd. (北京國泰群同投資控股有限公司) and Zhongguancun Science Park Haidian Park Innovation Service Centre (中關村科技園區海澱園創業服務中心), respectively, all of them being Independent Third Parties
“Beijing Duanji”	Beijing Duanji Network Technology Co., Ltd. (北京端極網絡技術有限公司), a limited liability company incorporated under the laws of the PRC on 6 May 2016 and deregistered on 10 May 2018, which was controlled by Mr. Ye Chunjian, a co-founder of the Group, and was merged with Mico in 2017
“Board”	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 normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“California Legal Adviser”	Taylor English Duma LLP, the legal adviser as to the application of the laws of the State of California to certain aspects of the Settlement Arrangement
“Capitalisation Issue”	the issue of Shares on the business day preceding the Listing Date by way of the capitalisation of certain sums standing to the credit of the share premium account of our Company to the holders of Shares whose names appear on the register of members of our Company at the close of business on the business day preceding the Listing Date in proportion to their then existing respective shareholdings in our Company as referred to in the section headed “Share Capital” in this prospectus

DEFINITIONS

“Cayman Companies Law”	the Companies Law (2018 Revision) of the Cayman Islands, as amended or supplemented from time to time
“Cayman Registrar”	the registrar of companies of the Cayman Islands
“CCASS”	Central Clearing and Settlement System
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing 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
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“China” or “PRC” or “Peoples’ Republic of China”	the People’s Republic of China, but for the purpose of this prospectus only, excluding Hong Kong, Macau and Taiwan region
“China Fuqiang”	Jiaying Fuqiang Ruiyi Equity Investment Limited Partnership Enterprise (Limited Partnership) (嘉興富強瑞益股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 19 March 2019 and a Pre-IPO Investor, which is controlled by Fuqiang Asset Management (Shenzhen) Equity Investment Fund Management Co., Ltd. (富強資管(深圳)股權投資基金管理有限公司) (“Fuqiang Capital”), an Independent Third Party, through its capacity as the general partner. Fuqiang Capital is wholly owned by China Fortune Financial Group Limited (中國富強金融集團有限公司), a limited company incorporated under the Laws of Cayman Islands and listed on the Stock Exchange (Stock Code: 290)

DEFINITIONS

“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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company” or “the Company”	Newborn Town Inc. (赤子城科技有限公司), a company with limited liability incorporated in the Cayman Islands on 12 September 2018
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, being NewBornTown Mobile Technology and NewBornTown Network Technology
“Contractual Arrangements”	a series of contractual agreements reached to consolidate our interests in the Consolidated Affiliated Entities entered into among WFOE, NewBornTown Mobile Technology and the PRC Equity Holders during the Reorganisation
“controlling shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires
“Controlling Shareholders Group”	Mr. Liu Chunhe and Mr. Li Ping, together with their respective close associates, including Spriver Tech Limited and Parallel World Limited, a group of individuals acting in concert with each other, which constitute the controlling shareholder of our Company
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 11 December 2019 executed by Mr. Liu Chunhe and Mr. Li Ping in favour of our Company, particulars of which are set forth in the section headed “Statutory and General Information – F. Other Information – 1. Deed of Indemnity” in Appendix IV to this prospectus
“Delaware Legal Adviser”	Potter Anderson & Corroon LLP, the legal adviser as to the application of the laws of the State of Delaware to certain aspects of the Settlement Arrangement
“Director(s)” or “our Director(s)”	the director(s) of our Company
“Downward Offer Price Adjustment”	an adjustment that has the effect of setting the final Offer Price up to 10% below HK\$1.40 (the bottom end of the indicative Offer Price range)
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), which first became effective on 1 January 2008, as amended, supplemented, or otherwise modified from time to time
“Employee RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by our Board on 11 December 2019, the principal terms of which are set out in the section headed “Statutory and General Information – E. RSU Schemes – 1. Employee RSU Scheme” in Appendix IV to this prospectus
“Employee RSU Trustee”	TMF Trust (HK) Limited, an independent and professional trustee appointed by our Company to act as the trustee of the Employee RSU Scheme
“Existing Articles”	the Amended and Restated Memorandum and Articles of Association of the Company adopted by special resolution of the Shareholders passed on 22 June 2019
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“GDPR”	the General Data Protection Regulation
“Global Offering”	the Hong Kong Public Offering and the International Offering

DEFINITIONS

“GMIC”	the Global Mobile Internet Conference, which is hosted annually with attendees including global mobile executives, entrepreneurs, developers and investors
“Great Sailing”	Great Sailing Media Limited (formerly known as Mobile Box Limited), a company incorporated in Hong Kong with limited liability on 16 April 2013 and an indirect wholly-owned subsidiary of our Company
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “our”, “we” or “us”	the Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Haitong Kaiyuan”	Haitong Kaiyuan Investment Co., Ltd. (海通開元投資有限公司), a limited liability company established under the laws of the PRC on 23 October 2008 and a Pre-IPO Investor, which is wholly owned by Haitong Securities Co., Ltd. (海通證券股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange (stock code: 600837) and the Stock Exchange (stock code: 6837). Haitong Kaiyuan is a connected person of the Company. Please refer to the section headed “Continuing Connected Transactions” for further details of its connected relationship with the Company
“Haitong Xinxi”	Shanghai Haitong Xinxi Investment Center (Limited Partnership) (上海海桐信兮投資中心(有限合夥)), a limited partnership established under the laws of the PRC on 8 July 2015 and a Pre-IPO Investor, which is controlled by Haitong Kaiyuan through its capacity as the general partner. Haitong Xinxi is a connected person of the Company. Please refer to the section headed “Continuing Connected Transactions” for further details of its connected relationship with the Company

DEFINITIONS

“Hande Houcheng”	Beijing Hande Houcheng Enterprise Management Centre (Limited Partnership) (北京含德厚城企業管理中心(有限合夥)), a limited partnership established under the laws of the PRC on 25 August 2015 where our Shareholders Mr. Liu Chunhe and Mr. Li Ping hold approximately 99.90% and 0.1% interest in it, respectively. Mr. Li Ping holds the 0.1% interest in Hande Houcheng on behalf of Mr. Liu Chunhe. Please refer to the section headed “Continuing Connected Transactions” for further details of its connected relationship with the Company
“HK Operating Entities”	Solo X Technology, Newborn Town International and Great Sailing
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Legal Counsel”	Mr. Chan Chung, barrister-in-law in Hong Kong
“Hong Kong Public Offer Shares”	the 13,600,000 new Shares initially being offered for subscription in the Hong Kong Public Offering at the Offer Price (subject to reallocation as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus)
“Hong Kong Public Offer Underwriter(s)”	the underwriter(s) of the Hong Kong Public Offering led by the Joint Global Coordinators who entered into the Hong Kong Public Offer Underwriting Agreement to underwrite the Hong Kong Public Offering, named in the section headed “Underwriting – Hong Kong Public Offer Underwriters” in this prospectus

DEFINITIONS

“Hong Kong Public Offer Underwriting Agreement”	the Hong Kong underwriting agreement dated 16 December 2019 relating to the Hong Kong Public Offering entered into by our Company, Mr. Liu Chunhe, Mr. Li Ping, Spriver Tech Limited, Parallel World Limited, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Public Offer Underwriters
“Hong Kong Public Offering”	the offer by our Company of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong as described in the section headed “Structure and Conditions of the Global Offering” at the Offer Price (plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Hong Kong Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“ICP Licence”	Internet content provider licence, a licence issued by MIIT to permit China-based websites to operate in China
“IFRS”	the International Financial Reporting Standards, amendments and interpretations issued from time to time by the International Accounting Standards Board
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company or an associate of any such person within the meanings ascribed thereto under the Listing Rules
“International Offer Shares”	the 122,400,000 new Shares initially being offered for subscription by our Company at the Offer Price under the International Offering subject to adjustment as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus together with (unless the context otherwise requires) any Shares which may be sold by the Over-allotment Option Grantor pursuant to any exercise of the Over-allotment Option

DEFINITIONS

“International Offering”	the conditional placing by the International Underwriters of the International Offer Shares for cash at the Offer Price plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price, details of which are described in “Structure and Conditions of the Global Offering” on and subject to the terms and conditions stated herein and in the International Underwriting Agreement
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the conditional placing and underwriting agreement relating to the International Offering and to be entered into by, among others, our Company, the Joint Global Coordinators, the International Underwriters and the Over-allotment Option Grantor on or about the date of the Price Determination Agreement
“Ireland Legal Adviser”	McCann FitzGerald, the legal adviser as to the application of the Irish laws to certain aspects of the Settlement Arrangements
“iResearch”	Shanghai iResearch Co., Ltd., an independent global market research and consulting company
“iResearch Report”	a market research report prepared by iResearch and commissioned by us
“Joint Bookrunners”	CMBC Securities Company Limited, Haitong International Securities Company Limited, SBI China Capital Financial Services Limited, Fortune (HK) Securities Limited, Zhongtai International Securities Limited, Elstone Securities Limited, Shanxi Securities International Limited, China Everbright Securities (HK) Limited, ABCI CAPITAL LIMITED and China Industrial Securities International Capital Limited
“Joint Global Coordinators”	CMBC Securities Company Limited, Haitong International Securities Company Limited and SBI China Capital Financial Services Limited

DEFINITIONS

“Joint Lead Managers”	CMBC Securities Company Limited, Haitong International Securities Company Limited, SBI China Capital Financial Services Limited, Fortune (HK) Securities Limited, Zhongtai International Securities Limited, Elstone Securities Limited, Shanxi Securities International Limited, China Everbright Securities (HK) Limited, ABCI SECURITIES COMPANY LIMITED, China Industrial Securities International Capital Limited, Luk Fook Securities (HK) Limited, Futu Securities International (Hong Kong) Limited, Alpha International Securities (HONG KONG) Limited, Valuable Capital Limited and RSI Securities Limited
“Latest Practicable Date”	8 December 2019, being the latest practicable date for the purposes of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 31 December, 2019, on which our Shares are listed and from which dealings therein are first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented, or otherwise modified from time to time
“Longwin Xinhui”	Shanghai Longwin Xinhui Investment Partnership Enterprise (Limited Partnership) (上海朗聞信瓊投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 12 June 2015 and a Pre-IPO Investor, the general partner of which is Shanghai Longwin Capital Partners (General Partnership) (上海朗聞投資管理合夥企業(普通合夥)), an Independent Third Party
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

DEFINITIONS

“Management RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by our Board on 11 December 2019, the principal terms of which are set out in the section headed “Statutory and General Information – E. RSU Scheme – 2. Management RSU Scheme” in Appendix IV to this prospectus
“Management RSU Trustee”	TMF Trust (HK) Limited, an independent and professional trustee appointed by our Company to act as the trustee of the Management RSU Scheme
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company amended and restated as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus
“Mico”	Beijing Mico World Technology Co., Ltd. (北京米可世界科技有限公司) (formerly known as Beijing Zhongluo Technology Co., Ltd. (北京眾絡科技有限公司)), a company incorporated under the laws of the PRC with limited liability on 30 May 2014 which is controlled by Mr. Ye Chunjian, a co-founder of the Group, and we hold an interest of approximately 16.77% in it, please refer to note (14) to the second corporate chart under the section headed “History and Corporate Structure – Reorganisation” for the information of remaining equity interest as of the Latest Practicable Date
“Mico HK”	Mico World Limited (米可世界國際有限公司), a company incorporated under the laws of Hong Kong with limited liability on 24 September 2015 and wholly-owned by Mico
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)

DEFINITIONS

“Newborn Town International”	Newborn Town International Enterprise Limited, a company incorporated in Hong Kong with limited liability on 20 December 2013 and a direct wholly-owned subsidiary of our Company
“NewBornTown Mobile Technology”	NewBornTown Mobile Technology (Beijing) Holdings Co., Ltd. (赤子城移動科技(北京)股份有限公司) (formerly known as Beijing Lianchuang Sizhuang Technology Development Co., Ltd. (北京聯創思壯科技發展有限公司), NewBornTown Education Technology (Beijing) Co., Ltd. (赤子城教育科技(北京)有限公司), NewBornTown Technology (Beijing) Co., Ltd. (赤子城科技(北京)有限公司), Beijing Solo World Network Technology Co., Ltd. (北京搜樂世界網絡技術有限公司) and NewBornTown Mobile Technology (Beijing) Co., Ltd. (赤子城移動科技(北京)有限公司)), a company incorporated under the laws of the PRC with limited liability on 15 August 2007 and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“NewBornTown Network Technology”	NewBornTown Network Technology (Beijing) Co., Ltd. (赤子城網絡技術(北京)有限公司), a company incorporated under the laws of the PRC with limited liability on 28 February 2014 and a direct wholly-owned subsidiary of NewBornTown Mobile Technology
“Offer Price”	the final Hong Kong dollar price per Offer Share (before brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which Shares are to be subscribed or purchased pursuant to the Global Offering, which will be not more than HK\$1.80 and is expected to be not less than HK\$1.40, to be determined as described in the section headed “Structure and Conditions of the Global Offering – Pricing and Allocation” in this prospectus subject to any Downward Offer Price Adjustment
“Offer Shares”	the Hong Kong Public Offer Shares and the International Offer Shares together with, where relevant, any Shares which may be sold by the Over-allotment Option Grantor pursuant to the exercise of the Over-allotment Option

DEFINITIONS

“Over-allotment Option”	the option to be granted by the Over-allotment Option Grantor to the Joint Global Coordinators under the International Underwriting Agreement pursuant to which the Over-allotment Option Grantor may be required by the Joint Global Coordinators to sell up to 20,400,000 additional Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Offering
“Over-allotment Option Grantor”	Pixel Perfect Tech Limited, in the capacity of a grantor of the Over-allotment Option pursuant to the International Underwriting Agreement
“Over-allotment Shares”	up to 20,400,000 Shares which the Over-allotment Option Grantor may be required to sell at the Offer Price pursuant to the Over-allotment Option
“Phoenix Fortune”	Beijing Phoenix Fortune Interconnection Investment Fund (Limited Partnership) (北京鳳凰祥瑞互聯投資基金(有限合夥)), a limited partnership established under the laws of the PRC on 5 June 2015 and a Pre-IPO Investor, which is controlled by Mr. Du Li, a shareholder of the Company and NewBornTown Mobile Technology, through his indirect controlling interest in the general partner of Phoenix Fortune. Please refer to the section headed “Continuing Connected Transactions” for further details of its connected relationship with the Company
“Plum Venture”	Ningbo Meihua Shunshi Angel Capital Partnership Enterprise (Limited Partnership) (寧波梅花順世天使投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 19 May 2014 and a Pre-IPO Investor, which is controlled by Mr. Wu Shichun through his 80% equity interest in Ningbo Plum Angel Investment Management Co., Ltd. (寧波梅花天使投資管理有限公司), the general partner of Plum Venture. Please refer to the section headed “Continuing Connected Transactions” for further details of its connected relationship with the Company
“PRC Equity Holders”	the shareholders of NewBornTown Mobile Technology as referred to in the section headed “Contractual Arrangements” in this prospectus

DEFINITIONS

“PRC Legal Adviser”	Jingtian & Gongcheng, the legal adviser as to PRC law of the Company
“PRC Operating Entities”	NewBornTown Mobile Technology and NewBornTown Network Technology
“Pre-IPO Investment(s)”	the Pre-IPO investment(s) in the Company undertaken by the Pre-IPO Investors, details of which are set out in the section “History and Corporate Structure” in this prospectus
“Pre-IPO Investors”	those investors in our Group referred to as such in the relevant Pre-IPO Investments, and each a “Pre-IPO Investor”
“Pre-IPO Shareholders’ Agreement”	the shareholders’ agreement entered into among the Shareholders dated 26 June 2019
“Preferred Share(s)”	the Series A Preferred Shares, the Series B Preferred Shares and the Series C Preferred Shares
“Price Determination Agreement”	the agreement to be entered into among our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) at or about the Price Determination Date to fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Friday, 20 December 2019 (Hong Kong time), when the Offer Price is determined and in any event no later than Monday, 30 December 2019
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Regulation S”	Regulation S under the U.S. Securities Act, as amended from time to time
“Reorganisation”	the reorganisation of the Group as described in the section headed “History and Corporate Structure” in this prospectus
“Repurchases”	the repurchases of Series B Preferred Shares from Phoenix Auspicious FinTech Investment L.P. settled on 26 June 2019, from Haitong Kaiyuan and Haitong Xinxi settled on 9 July 2019
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC

DEFINITIONS

“RSU”	a restricted share unit award granted to a participant under the RSU Schemes
“RSU Schemes”	the Employee RSU Scheme and the Management RSU Scheme
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Series A Preferred Share(s)”	the series A preferred shares of par value US\$0.0001 per share in the authorised share capital of the Company, of which 50,021,431 shares are in issue as of the Latest Practicable Date and held by the Series A Preferred Shareholders, each having the rights, preferences, privileges and restrictions as set forth in the Pre-IPO Shareholders’ Agreement
“Series B Preferred Share(s)”	the series B preferred shares of par value US\$0.0001 per share in the authorised share capital of the Company, of which 68,453,098 shares are in issue after the Repurchases and held by the Series B Preferred Shareholders, each having the rights, preferences, privileges and restrictions as set forth in the Pre-IPO Shareholders’ Agreement
“Series C Preferred Share(s)”	the series C preferred shares of par value US\$0.0001 per share in the authorised share capital of the Company, of which 2,078,286 shares are in issue as of the Latest Practicable Date and held by the Series C Preferred Shareholders, each having the rights, preferences, privileges and restrictions as set forth in the Pre-IPO Shareholders’ Agreement
“Series A Preferred Shareholder(s)”	the holder(s) of the Series A Preferred Shares
“Series B Preferred Shareholder(s)”	the holder(s) of the Series B Preferred Shares
“Series C Preferred Shareholder(s)”	the holder(s) of the Series C Preferred Shares

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“Shandong NewBornTown” or “WFOE”	Shandong NewBornTown Network Technology Co., Ltd. (山東赤子城網絡技術有限公司), a company incorporated under the laws of the PRC with limited liability on 30 August 2018 and a direct wholly-owned subsidiary of Solo X Technology
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.0001 each
“Shareholder(s)”	holder(s) of our Shares
“Singapore Legal Adviser”	Lex Advocatus LLC, the legal adviser as to the application of Singapore laws to certain aspects of the Settlement Arrangement
“Sole Sponsor”	CMBC International Capital Limited
“Solo X Technology”	Solo X Technology Limited, a company incorporated in Hong Kong with limited liability on 30 October 2018 and a direct wholly-owned subsidiary of our Company
“Stabilising Manager”	SBI China Capital Financial Services Limited
“Stock Borrowing Agreement”	the agreement expected to be entered into on or around 20 December 2019 between the Over-allotment Option Grantor and the Stabilising Manager and/or its affiliates, pursuant to which the Stabilising Manager may, on its own or through its affiliates, request the Over-allotment Option Grantor to make available to the Stabilising Manager up to 20,400,000 Shares to cover, inter alia, over-allocations in the International Offering
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“SZSE”	The Shenzhen Stock Exchange

DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by SFC, as amended or supplemented from time to time
“Track Record Period”	the three financial years ended 31 December 2018 and the six months ended 30 June 2019
“Underwriters”	the International Underwriters and the Hong Kong Public Offer Underwriters
“Underwriting Agreements”	the Hong Kong Public Offer Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Universe”	Universe Intelligence Technology Limited, a company incorporated under the laws of Hong Kong with limited liability on 18 March 2019 and a Pre-IPO Investor, which is wholly owned by Liu Fuwei (劉富偉), an Independent Third Party
“U.S. dollars”, “USD” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. persons”	U.S. persons as defined under Regulation S
“U.S. Securities Act”	the United States Public Offer Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“VIE(s)”	Variable interest entity(ies)
“We”, “us” or “our”	our Company and, unless the context requires otherwise, our subsidiaries
“ WHITE Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Public Offer Shares to be issued in the applicant’s own names
“ WHITE Form eIPO ”	applying for Hong Kong Public Offer Shares to be issued in your own name by submitting applications online through the designated website at www.eipo.com.hk

DEFINITIONS

“WHITE Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Withdrawal Mechanism”	a mechanism which requires our Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information (e.g. the offer price) in the prospectus; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach i.e. requiring investors to positively confirm their applications for shares despite the change
“YELLOW Application Form(s)”	the form of application for the Hong Kong Public Offer Shares for use by the public who require such Hong Kong Public Offer Shares to be deposited directly into CCASS
“%”	per cent

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

Unless otherwise specified, all times refer to Hong Kong time and references to years in this prospectus are to calendar years.

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this prospectus are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.

For identification purposes only, unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as of the date of this prospectus.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains definitions of certain terms used in this prospectus in connection with our Company and our business. These terms and their definitions may not correspond to standard industry definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

“ad(s)”	advertisement(s) presented on media for marketing of products and/or brands
“ad agency”	an intermediary service provider in the mobile advertising industry, dedicated to creating, planning, and handling advertising (and sometimes other forms of promotion) for its clients to market their products and/or brands and/or to sell their ad inventories. An ad agency is generally independent from the clients and provides an outside point of view to the effort of selling the client’s products or services. An ad agency can also handle overall marketing and branding strategies and sales promotions for its clients, being a third-party providing advertising services to advertisers and publishers. An ad agency in the mobile advertising industry may act as an agent for its clients or operate more than one ad platforms
“ad exchange”	a digital marketplace that facilitates the buying and selling of media ad inventory from multiple ad platforms, often through real-time auctions
“Ad ID”	the industry standard for identifying advertising assets across all media platforms, a unique identifying code for each advertising asset
“ad inventory”	traffic available on online or mobile media for advertising
“ad network”	a mobile advertising service provider that connects advertisers to mobile apps and websites with available ad inventories, with the key function of aggregating ad supply from publishers and matching it with advertisers’ demand

GLOSSARY OF TECHNICAL TERMS

“ad platform”	an advertising platform for mobile advertising transactions and campaigns, which may include agents of advertisers, ad networks, ad exchanges, demand and supply side platforms and other service providers providing mobile advertising services
“ad space”	the space on websites or mobile apps available for advertisements
“AI”	artificial intelligence
“Android”	an operating system developed and maintained by Google Inc. used in touchscreen technology including smartphones and tablets
“API”	application programming interface, a set of routines, protocols, and tools for building software applications
“app(s)”	application software designed to run on a mobile device
“App Store”	a digital distribution platform, developed and maintained by Apple Inc., for mobile apps on its iOS operating system
“ARPPU” or “average revenue per paying user”	the average amount of revenue from in-app purchase generated from each paying mobile device user for a particular period
“ARPU” or “average revenue per user”	the average amount of revenue, including the revenue from in-app purchase and mobile advertising, generated from each mobile device user for a particular period
“average daily impressions”	the average number of times per day an ad displayed to a mobile device user
“beta”	the second and usually last phase of software or hardware testing in which a sampling of the intended audience test the product for its performance in real world exposure
“big data”	large and diverse data sets able to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information assets under new processing model for greater decision-making power, insight and processing optimisation capabilities

GLOSSARY OF TECHNICAL TERMS

“click-through rate”	the ratio of mobile device users who click on the ad to the number of total mobile device users who view the ad
“conversion rate”	the ratio of mobile device users who take a desired action by the advertiser, such as signing up a new account or making purchase, to the number of total mobile device users who view or click the ad
“countries and regions”	country-wide and regional markets in the mobile internet industry distinguished by user demographics, local regulations and other characteristics defined, adopted and applied by app stores and third-party mobile analytics platforms
“CPA”	cost per action, a performance-based pricing model where advertising is paid on the basis of each action of the mobile device user such as download, installation or registration
“CPI”	cost per install, a performance-based pricing model where advertising is paid on the basis of each installation of the app
“CPM(s)”	cost per mille, a non-performance-based pricing model where advertising is paid on the basis of thousand impressions
“DAU(s)”	daily active user(s), which refers to, with respect to our mobile apps, the aggregate number of unique mobile devices that were used to access certain of our mobile apps for at least once a day
“device ID”	a unique device-specific identifier used to accurately measure actions taken by a specific mobile device
“Downloads”	including the downloads for the Google play apps and iOS apps. The downloads for Google play is the total number of app downloads for the Google Play app. The downloads for iOS apps is the total number of app downloads, not including desktop downloads, redownloads or promotions
“DSP(s)”	demand side platform

GLOSSARY OF TECHNICAL TERMS

“eCPI”	effective cost per install, used by advertising service providers to determine the cost of advertising placement for an installation of the mobile app by users
“eCPM”	effective cost per mille, used by publishers to determine the revenue generated from a thousand impressions of an ad campaign and to measure the performance of a publisher’s inventory being sold in various channels or used by advertising service providers to determine the cost of advertising placement for a thousand impressions in ad transaction
“fill rate”	the percentage of the total number of ads actually delivered out of the total number of ads requested
“GAID”	Google Advertising ID, a unique, user-resettable ID for advertising, provided by Google Play services
“Google Play”	a digital distribution service operated and developed by Google LLC, serving as the official app store for the Android operating system
“IAB”	Interactive Advertising Bureau, an advertising business organisation that develops industry standards, conducts research and provides legal support for the online advertising industry
“IDFA”	Identifier For Advertising, a unique ID for each iOS device that mobile ad networks typically use to serve targeted ads
“impression”	the point in which an ad is viewed once by a visitor, or displayed once on a web page
“interactive ads”	a form of ads engaging users through interactive activities
“iOS”	a mobile operating system developed and maintained by Apple Inc.

GLOSSARY OF TECHNICAL TERMS

“KPI(s)”	key performance indicator, which means, in the context of mobile advertising, the indicator reflecting the effectiveness and performance of the advertising campaign such as the number of new installations, sign-ups or sales
“look-alike”	technologies or algorithms used by advertisers and/or advertising service providers for identifying potential users who have similar preference and characteristics to the existing users of the advertisers
“MAU(s)”	monthly active user(s), which refers to, with respect to our mobile apps, the aggregate number of unique mobile devices that were used to access certain of our mobile apps in a particular month
“native ads”	a type of advertising that matches the form and function of the platform upon which it appears
“OpenRTB”	open industry protocols and standards for communication between sellers and buyers on ad spaces developed by IAB
“retention rate”	the percentage of users who are still using an app after a certain number of days after installation
“ROI”	return on investment
“RTB”	real time bidding, a means by which ad inventories are bought and sold on via programmatic instantaneous auction
“SDK(s)”	software development kit, a set of software development tools that allows the creation of applications for a certain software package
“SSP(s)”	supply side platform
“tag”	a keyword describing the characteristic assigned such as to an audience or app
“traffic”	in terms of traffic in mobile advertising, the flow of ad audience on mobile media

GLOSSARY OF TECHNICAL TERMS

“unique mobile device”	a term used when not counting the same mobile device duplicatively based on device ID
“user(s)”	mobile device user(s), distinguished by the unique device ID of each mobile device. An individual may have more than one mobile devices and these mobile devices will be counted as more than one users based on the device IDs
“user lifetime value”	a prediction of the profit attributed to the entire future interaction with a user of the mobile app

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. Such forward-looking statements relate to events that are subject to significant risks and uncertainties, including the risks described in the section headed “Risk Factors” in this prospectus. These forward-looking statements include, but are not limited to, words and expressions such as “aim”, “expect”, “believe”, “plan”, “intend”, “estimate”, “project”, “seek”, “anticipate”, “may”, “will”, “should”, “would” and “could” or similar words, expressions or statements or the negative thereof, in particular, in the sections headed “Business” and “Financial Information” in this prospectus in relation to future events, including our strategies, plans, objectives, goals, targets, future financial results (including without limitation, our profitability, liquidity and capital resources), business prospects, our ability to identify and successfully take advantage of new business development opportunities, our dividend policy, the future development of our industry, the general economy of our key markets and the national and global economy.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future and the information currently available to our management. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance, which is subject to known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, and may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, those discussed under the section headed “Risk Factors” in this prospectus and elsewhere in this prospectus and the following:

- our operations and business prospects;
- our business and operating plans, strategies and goals and our ability to successfully implement such plans, strategies and goals;
- the development of the mobile internet market and mobile advertising market;
- our ability to maintain and grow our advertiser and publisher bases;
- our ability to maintain our technology capabilities and a reliable and efficient IT infrastructure;
- our ability to reduce costs;
- our financial condition, operating results and performance;
- our dividend policy;
- our ability to make successful investments and acquisitions;
- market competition, and actions and development of competitors;

FORWARD-LOOKING STATEMENTS

- future developments, trends and conditions in the mobile app development industry, mobile advertising industry and markets in which we operate;
- changes to the regulatory environment and operating conditions in the industry and markets in which we operate;
- general political and economic conditions;
- exchange rate fluctuations and evolving legal systems pertaining to the PRC and the industry and markets in which we operate; and
- relevant government policies and regulations relating to our industry, business and corporate structure.

We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as at the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with the investment in our Shares. 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 RELATED TO OUR BUSINESS AND INDUSTRY

We face competition in the rapidly evolving industry and we may not be able to keep continuous research and development and innovation, and may not be able to compete successfully against our existing and future competitors.

We face intense competition from existing mobile apps developers and advertising companies in the mobile internet industry. As the demand for new mobile apps and advertising service continues to increase, we expect new competitors to enter these markets and existing competitors to allocate additional resources, which may lead to an increasingly fierce competition in mobile internet industry. Our future success will depend on our ability to respond to rapidly changing technologies, adapt our products and services to evolving industry standards and improve the performance, functionality and reliability of our products and services.

Our existing and future competitors may operate with longer histories and more efficient business models. They may be able to devote greater financial, technical and marketing resources to the research and development, promotion, sales and support of their products and services or respond to new or emerging technologies and changes in market requirements quicker than us. If we cannot keep continuous research and development and innovation or effectively compete against our existing and future competitors, we may become less attractive to our users, advertisers and publishers, which could seriously harm our business and have a material and adverse impact on our business, operation results and growth potential.

Our Solo X product matrix and Solo Math mobile advertising platform are relatively new and our limited operating history makes it difficult to forecast our business performance and prospects.

We launched our proprietary product Solo Launcher in 2013 and Solo Math mobile advertising platform in 2014. Although our products and services have achieved a global reach

RISK FACTORS

in recent years, we may not be able to sustain our historical growth rate in a rapidly evolving industry due to limited history. Our business prospects and future performance depend in large part on our ability to:

- maintain the technological advantages of our Solo X product matrix and Solo Math mobile advertising platform;
- introduce and manage the development of our new products and services;
- maintain, expand and further develop our relationships with business partners and meet their increasing demands;
- keep up with the technological developments or new business models of the rapidly evolving mobile internet industry;
- compete effectively with our competitors in the mobile internet industry; and
- attract and retain qualified and skilled employees.

If we fail to address any of the risks and difficulties that we face, our business may suffer, our revenue may decline and we may not be able to achieve further growth or long-term profitability.

Our business is subject to the risks relating to international operations, which could adversely affect our financial conditions and results of operations.

Our business has rapidly expanded internationally since we released Solo Launcher in 2013. The international market forms an important component of our growth strategy, but expanding our business internationally exposes us to a number of challenges and risks, including:

- difficulties in selecting appropriate geographical regions for overseas expansion and understanding local markets and culture;
- challenges in identifying appropriate local or international third-party business partners and establishing and maintaining a good working relationship with them;
- fluctuations in currency exchange rates;
- political, social or economic instability in markets or regions in which we operate; and
- compliance with applicable foreign laws and regulations.

Our business, financial condition and results of operations could be adversely affected by these and other risks associated with conducting international operations.

RISK FACTORS

If the mobile internet industry fails to continue to develop, our profitability and prospects may be materially and adversely affected.

Our business and prospects depend on the continuing development of the mobile internet industry, which may be affected by a number of factors beyond our control, including:

- technological innovation or new business models of the mobile internet industry;
- challenges in developing successful products and implementing effective marketing strategies that respectively target mobile internet users and advertising customers with a diverse range of preferences and demands;
- changes in regulations or policies affecting the mobile internet industry;
- growth of the mobile internet industry in general.

There is no assurance that the mobile internet industry will continue to develop. Our business, financial conditions, results of operations and prospects will be materially and adversely affected if the mobile internet industry fails to grow or grows more slowly than we expect.

Our business, financial condition and results of operations may be adversely affected by the policy changes of leading internet companies.

We derive a significant portion of our revenue and incur substantial advertising cost from the leading internet companies. The development, operation and monetisation of our Solo X product matrix will be subject to policy changes of such leading internet companies. We generally enter into standard contracts with such companies, in which they typically require us to comply with their policies, such as making promotional offers to our users and changing the placement of our apps at their discretion. In the event of their policy changes, we may be obliged to allocate additional resources to modify or upgrade our apps and services in a timely manner. For example, Company A made a number of policy changes in recent years including a temporary halt to the acquisition of users by certain utility apps, adjustment to its ad algorithm and disallowing app developers to place lock screen ads on apps. Due to such policy changes, certain market players' business performances were adversely affected. We are also subject to such policy changes as a market player in mobile internet industry.

Although we have not experienced any policy changes from leading Internet companies that had material adverse impact on us during the Track Record Period, any failure to comply with the future changed policies may lead to adverse consequences, such as our inclusion in the blacklists maintain by such internet companies, the removal of our apps from the relevant app stores and the discontinuation of our business relationships with them, which will adversely affect the monetisation capabilities of our apps, change our product development,

RISK FACTORS

launch and marketing plans, harm our reputation and reduce the confidence that our users and business partners have in our brands, and ultimately have an adverse impact on our business, financial condition and results of operations.

Any failure to retain existing advertisers and media publishers or attract new advertisers and media publishers may negatively impact our revenue and business.

To sustain or increase our revenue derived from our Solo Math mobile advertising platform, we need to retain existing advertisers and media publishers, deepen or expand our relationships with them as well as attract new advertisers and media publishers. To retain and attract new advertisers, we need to continue to provide targeted advertising that maximise advertisers' return on their advertising budget. Our advertisers may have business relationships with a number of advertising platforms at the mean time. If advertisers determine that their expenditures on our Solo Math mobile advertising platform do not generate sufficient returns, they may reduce their advertising budgets or terminate advertising arrangements with us. To retain and attract new media publishers, we need to continue to improve the monetisation efficiency of their advertisement inventory. If our media publishers are no longer satisfied with the monetisation efficiency of their advertisement inventory generated by using our proprietary advertising platform, they may reduce or discontinue our access to their advertising space.

In the event we lose advertisers or media publishers, we cannot assure you that we will be able to replace them in a timely manner or at all. We may not be able to attract new advertisers or media publishers. Our failure to retain existing advertisers and media publishers or attract new advertisers and media publishers may materially and adversely affect our business, financial condition, results of operations and prospects.

Most of our representative mobile apps in operation have a relatively short expected lifecycle of 12 months to 18 months. If we fail to continuously develop and launch new popular apps, our proprietary app traffic monetisation business will be adversely affected.

Most of our representative mobile apps which contributed to over 1% of our revenue from proprietary app traffic monetisation business in the six months ended 30 June 2019 and were in operation as at the Latest Practicable Date have an expected lifecycle of 12 months to 18 months, and our mobile apps in pipeline have a shorter expected lifecycle of five to 12 months. Please see "Business – Business Operations – Solo X Product Matrix" for more details. When an app begins to reach the late stage of its expected lifecycle, the amount of revenue it generates may start to decrease, given that our users may lose interest in our apps over time as a result of the changing market trend or their interests and preferences. As such, we are required to continuously develop and launch new popular apps to maintain and expand our user base. In developing and launching new games, we have to predict and accommodate changes in user interests and preferences and the evolving competitive landscape of the mobile internet industry. Even though we also endeavour to continually develop new apps that are attractive to our users, we cannot assure you that we will be able to achieve such outcome.

RISK FACTORS

Any failure to continuously develop and launch new popular apps may adversely affect our proprietary app traffic monetisation business and financial condition and result of operations.

We implement unbundling strategy for our proprietary app traffic monetisation business instead of focussing on development of several individual featured apps. If we fail to maintain and expand user base and user engagement through implementing our unbundling strategy, we may not be able to effectively monetise our Solo X products, which could adversely affect our business, financial conditions and operating results.

We employ an unbundling strategy of designing a suite of mobile apps in a certain app category rather than operating several individual featured apps. Based on the four sub-matrices of our Solo X product matrix, we had launched over 80 mobile apps on the Android operating system and/or iOS since 2019 and up to the Latest Practicable Date. Please see “Business – Business Operations – Solo X Product Matrix” for more details. We cannot assure you that our existing and future apps in each sub-matrix could continually provide attractive content and satisfactory experience to our users. In addition, the effectiveness of our unbundling strategy is dependent on other factors, such as our abilities to market our existing apps through in-app cross promotion within sub-matrices, to innovate or develop new apps catering to the needs and preferences of our users, and to keep up with the rapid development or upgrade of technologies on a timely and cost-effective basis. If we fail to maintain and expand our user base and user engagement through implementing our unbundling strategy, we may not be able to effectively monetise our Solo X products, which could adversely affect our business, financial conditions and operating results.

We may not be able to sustain our historical growth.

We have experienced rapid growth since we launched our proprietary product Solo Launcher in 2013. During our Track Record Period, we recorded total revenues of RMB136.9 million, RMB181.8 million, RMB276.7 million and RMB184.4 million for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively. However, we cannot assure you we will be able to maintain the current level of growth rate in the future. Our business prospects and future success depend on various factors, including consumer spending, increasing competition, emergence of alternative business models, changes in government policies or general economic conditions, as well as other risk factors mentioned in this prospectus. Thus, there is no assurance that we will be able to maintain our historical growth in future periods.

RISK FACTORS

We recorded net cash outflows during the Track Record Period. We cannot assure you that this will not occur in the future.

We fund our business operations and growth primarily using cash generated from our operating activities. We recorded negative cash flow from our operating activities of RMB57.2 million and RMB16.2 million in 2016 and 2017, respectively, primarily due to the slow payment from some customers of our media buy services at an early stage of our business. There is no assurance that we will be able to generate sufficient cash flow from our operations to fund our business operations and growth in the future, or that we will be able to secure sufficient funding at commercially acceptable terms, or at all. If we cannot generate sufficient cash flow from our operations or raise sufficient funding, our liquidity, business, financial conditions and results of operations may be materially and adversely affected.

Our liquidity and financial condition may be materially and adversely affected if we fail to collect accounts receivable from our customers in a timely manner, or at all.

As of 30 June 2019, our accounts receivable were RMB154.7 million and allowance for doubtful asset were RMB20.7 million. Our accounts receivable turnover days were 179 days in the six months ended 30 June 2019. We recorded impairment losses on accounts receivable of RMB10.1 million, RMB1.3 million, RMB7.0 million and RMB0.4 million for the year ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively. As our business continues to scale, our accounts receivable balance may continue to grow, which may increase our risks for uncollectible receivables. We generally do not require collateral or other security from our customers and we cannot assure you that our customers will consistently make timely and full payments to us. Some of our customers, especially those of media buy service significantly delayed their payment beyond the credit terms offered during the Track Record Period. Although we believe that our loss allowance for accounts receivable are currently adequate, our liquidity and financial condition may be materially and adversely affected if we fail to collect accounts receivable from our customers in a timely manner, or at all.

During the Track Record Period, a number of our customers had contributed to significant portion to our revenue.

Our revenue generated from the sales to our five largest customers in 2016, 2017 and 2018 and the six months ended 30 June 2019 accounted for 36.3%, 36.5% and 46.1% and 59.3% of our total revenue for the same periods. Revenue from the largest single customer in 2016, 2017 and 2018 and the six months ended 30 June 2019 accounted for 9.6%, 11.6% and 24.1% and 23.3% of our total revenue for the same periods. During the Track Record Period, our five largest customers changed over the years. If one or more of our large customers were to significantly reduce their purchases from us and if we fail to develop new large customers to replace them in a timely manner, or at all, our business, financial condition, results of operations, and prospects would be materially and adversely affected.

RISK FACTORS

If we do not effectively manage our costs, we may not be able to maintain our profit margin and sustain our profitability.

We have expended significant resources to grow our business in recent years by enhancing our technology capabilities, growing our number of employees and strengthening our brand. In particular, we relied on the supply of advertisement traffics from our publishers to provide advertising services for our advertisers. We recorded cost for advertising placement of RMB40.7 million, RMB82.0 million, RMB89.9 million and RMB39.0 million for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, accounting for 61.7%, 73.5%, 66.4% and 63.4% of our costs of sales during each period, respectively. Our gross profit margin was 51.8%, 38.7%, 51.1% and 66.6% for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively. Cost for advertising placement accounted for a significant portion of our costs of sales and the increase of cost for advertising placement may impact our profitability and our business, financial condition and results of operations.

Rapid technological changes may result in impairment of our intangible assets, which could negatively affect our reported results of operations.

Our intangible assets amounted to RMB6.3 million, RMB5.5 million, RMB4.7 million and RMB4.3 million as of 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively. A substantial portion of our intangible assets are derived from our software. We are required to review our intangible assets for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable, including a decline in company value and a slowdown in mobile internet industry. Our products and services compete in highly competitive global markets characterised by among other factors, rapid adoption of technological and product advancements by competitors, which could negatively affect the assumptions used in cash flow generated from relevant intangible assets for impairment assessment and the estimated useful lives of intangible assets. If the carrying value of our intangible assets is determined to be impaired, we would be required to write down the carrying value or record charges to earnings in our financial statements, thereby materially and adversely affect our results of operations.

An impairment of goodwill would adversely affect our financial condition and results of operations.

Our goodwill amounted to RMB5.1 million, RMB4.7 million, RMB5.0 million and RMB5.0 million as of 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively. We do not amortise goodwill but conduct impairment tests annually by comparing the recoverable amount to the carrying amount, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment may result from, among other things, deterioration in our performance, a decline in expected future cash flows and adverse market conditions. The amount of any impairment must be expensed immediately as a charge to our income statement. In addition, a small change in the assumptions used in the impairment testing of goodwill may lead to significant impairment losses. If our goodwill and

RISK FACTORS

intangible assets are impaired as we meet unexpected difficulties or our business does not develop as expected, or there is any change in the assumptions used in the impairment testing of our goodwill and intangible assets, our results of operations would be adversely affected. For more details, please see “Critical Accounting Policies, Judgements and Estimates — Intangible assets — Goodwill” and “Discussion of Certain Key Consolidated Balance Sheets Items — Goodwill” in the section headed “Financial Information” in this prospectus.

We are exposed to foreign currency exchange risk.

We are exposed to foreign currency exchange risk as a portion of our revenue was denominated in other currencies, in particular the U.S. dollar. Although we recorded net foreign exchanges gains in the amount of RMB0.4 million, RMB4.0 million and RMB0.6 million for the years ended 31 December 2016 and 2018 and six months ended 30 June 2019, respectively, we recorded net foreign exchange losses in the amount of RMB2.5 million for the year ended 31 December 2017. The value of U.S. dollar against RMB may fluctuate and is affected by, among other things, changes in global political and economic conditions, which are out of our control. Therefore, any fluctuations in the exchange rate of U.S. dollar against other currencies may expose us to exchange rate risks and our results of operations may be adversely affected. We did not hedge our foreign exchange risk during the Track Record Period. Please refer to Note 3.1a of the Accountant’s Report set out in Appendix I to this prospectus for a sensitivity analysis on our profit after tax during the Track Record Period in the event that US dollars had strengthened or weakened by 5% against RMB.

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

In light of our historical cash needs and our rapid growth, we may in the future require additional cash resources due to changed business conditions or other future developments, including any changes in our pricing policy, marketing initiatives or investments we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to obtain a credit facility or sell additional equity or debt securities. However, our ability to obtain additional capital is subject to a variety of uncertainties, including our future profitability, overall financial condition, results of operations, general market conditions and economic, political and other conditions in China and internationally. It is uncertain whether financing will be available in amounts or on terms acceptable to us, if at all. Further, the sale of additional equity securities could result in dilution of our existing shareholders. The incurrence of indebtedness would result in increased debt service obligations and operating and financing covenants that would restrict our operations.

RISK FACTORS

We are exposed to fair value changes for convertible redeemable preferred shares.

Our convertible redeemable preferred shares are carried at fair value with changes in fair value recognised in the statement of profit or loss. For the six months ended 30 June 2019, we recorded gains on fair value changes of convertible redeemable preferred shares of RMB0.1 million. Prior to the Global Offering, as our convertible redeemable preferred shares are not traded in an active market, the fair value at respective reporting dates is determined using valuation techniques. Please refer to Note 26 to the Accountants' Report included in Appendix I to this prospectus for details of the key assumptions in the valuation. We need to make significant estimates on assumptions in determining the fair value of our convertible redeemable preferred shares. Therefore, the valuation of our convertible redeemable preferred shares is subject to uncertainties. As indicated, our results of operations were and may be materially affected by fair value changes of convertible redeemable preferred shares. For more details, please see "Critical Accounting Policies, Judgements and Estimates — Convertible redeemable preferred shares" in the section headed "Financial Information" in this prospectus.

We will grant RSUs under our RSU Schemes, which may result in increased share-based compensation expenses.

We adopted the Employee RSU Scheme and Management RSU Scheme on 11 December 2019 to incentivize employees, consultants, directors, senior management and officers for their contribution to the Group. As our Group will receive employment services of the grantees in exchange for the grant of RSUs, we expect to incur share-based compensation expenses for RSUs granted under both the Employee RSU Scheme and Management RSU Scheme over the vesting period. The total amount to be expensed will be determined by the fair value of the RSUs granted at the grant date and the number of RSUs that are expected to be vested. The share-based compensation expenses to be recognised over the vesting period are considered to be significant and may materially and adversely affect our results of operations.

If we fail to build, maintain and enhance our brands, or if we incur a disproportionate amount of expenses pursuing this effort, our business, operating results and prospects may be materially and adversely affected.

We believe that maintaining and enhancing our brand is critical to expanding our user base and number of advertising customers. We also believe that maintaining and enhancing our brand will depend largely on our ability to continue to provide useful, reliable, trustworthy, and innovative products and services, which we may not be able to do successfully in the future. We will also continue to experience media, legislative, or regulatory scrutiny of our decisions regarding user privacy, content, advertising and other issues, which may adversely affect our reputation and brands. We also may fail to respond expeditiously to the sharing and uploading of objectionable content on our products or objectionable practices by our advertising customers, or may fail to otherwise address user concerns, which could erode confidence in our brands.

RISK FACTORS

In addition, maintaining and enhancing our brands may require us to make substantial investments and these investments may not be successful. We promote our brand and products through online advertising networks. These branding and marketing efforts may not result in increased user traffic in a cost-effective way. If we fail to successfully promote and maintain our brands or if we incur excessive expenses in this effort, our business and financial results may be adversely affected. In addition, any negative publicity in relation to our mobile applications, regardless of its veracity, could harm our brands and reputation and, in turn, our business and financial results.

Our advertising services may negatively affect user experience and may lead to a decline in user engagement and, in turn, a reduction in revenues generated from our advertising services.

We generate a substantial portion of our revenues by distributing advertisements to targeted users through our Solo X product matrix. Advertisements are displayed in various formats when users launch, use or exit our products. For example, we distribute ads through our customisation app Solo Locker when users unlock their phone screen. It is important for us to balance the frequency, prominence, size and content of ads that we display against ensuring a favourable user experience of our products. If we are unable to deliver ads in a way that is acceptable or favourable to our users, or ads contain controversial, false or misleading content result in negative emotions or associations in our users, our users may not maintain the current level of engagement and our advertising customers may perceive our advertising services as ineffective in generating a competitive return for them. As a result, our revenues may decline and our business, financial conditions and operating results may be materially and adversely affected.

We may be held liable for information or content displayed on, distributed by or linked to our mobile apps and may suffer a loss of users and damage to our reputation.

We display videos, pictures and other works on our mobile apps. Our users may misuse our products to disseminate content that contains inappropriate, fraudulent or illegal information or that infringes the intellectual property rights of third parties. Although we have implemented control measures and procedures to detect and block the content violate our user agreements or applicable laws and regulations, it may not be sufficient due to the large volume of user activities in real time. In response to any allegations of fraudulent, illegal or inappropriate activities conducted through our mobile apps or any negative media coverage about us, government authorities may intervene and hold us liable and subject us to administrative penalties or other sanctions, such as requiring us to restrict or discontinue certain features and services provided by our mobile apps or to temporarily or permanently disable such mobile apps. If any of such events occurs, our reputation and business may suffer and our results of operations may be materially and adversely affected.

RISK FACTORS

Misappropriation or misuse of privacy information and failure to comply with laws and regulations on data protection, including the GDPR, could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in users and customers, or otherwise harm our business.

We collect device-specific data, which include device ID, IP address and behaviour data, but we do not collect or store personal data such as the users' legal name and personal ID number. As such, our targeting is technically device-based and is not associated with the real person who is the actual user of such device. Although we have adopted measures in relation to data protection, we cannot assure you that we will be able to prevent unauthorised individuals from gaining access to database servers. Any unauthorised access to our servers, or abuse by our employees, could result in the theft or loss of privacy information. If privacy information is misappropriated, misused or lost, we could lose users and customers or become subject to liability or litigation and our reputation could be harmed, any of which could materially and adversely affect our business and results of operations.

If we fail to prevent security breaches, cyber-attacks or other unauthorised access to our systems or our users' data, we may be exposed to significant consequences, including legal and financial exposure and loss of users, and our reputation.

We collect, store, transmit and process certain personal and other sensitive data generated by our users through their activities on our products. Although we have taken various security measures and adopted internal policies to protect our users' personal privacy and data security, we may nevertheless be exposed to risks of security breaches or unauthorised access to or cyber-attacks on our systems or the data we store. Our efforts to protect our data may be unsuccessful due to software "bugs", system errors or other technical deficiencies, mistakes or malfeasance of our employees or contractors, vulnerabilities of our vendors and service providers, or other cybersecurity-related vulnerabilities. Any failure to prevent or mitigate security breaches, cyber-attacks or other unauthorised access to our systems or disclosure of our users' data, including personal information, could result in loss or misuse of such data, interruptions to the services we provide, diminished user experience, loss of user confidence and trust in our products, impairment of our network, significant legal and financial exposure and potential lawsuits brought by private individuals or regulators.

Interruption or failure of internet infrastructure and telecommunications systems could impair our ability to effectively provide our services, which could cause us to lose users and business partners and harm our business and results of operations.

Our business depends on the performance, reliability and stability of the internet infrastructure and telecommunications systems. The availability of our services depends on third-party providers for services including cloud computing, storage capacity, content delivery and telecommunications. In addition, since a portion of our advertising service rely on the performance of our publishers to deliver the advertisements, any interruption or failure of their information technology and communications systems may undermine the effectiveness of our advertising services and cause us to lose advertisers. Any interruption or failure of internet

RISK FACTORS

infrastructure and telecommunications systems could impair our ability to effectively deliver advertisements and provide our services, and could cause us to lose advertisers, publishers and mobile analytics users, and our business, financial condition and results of operations would be adversely affected.

We may not be able to prevent unauthorised use of our intellectual property, which could harm our business and competitive position.

We regard our patents, copyrights, trademarks, trade secrets and other intellectual property as critical to our business. Unauthorised use of our intellectual property by third parties may adversely affect our business and reputation. We rely on a combination of intellectual property laws and contractual arrangements to protect our proprietary rights. It is often difficult to register, maintain, and enforce intellectual property rights in countries with less developed regulatory regimes or inconsistent and unreliable enforcement mechanisms. Sometimes laws and regulations are subject to interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. In addition, our contractual agreements may be breached by our counterparties and there may not be adequate remedies available to us for any such breach.

Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in the PRC or other jurisdictions in which we operate. Detecting and preventing any unauthorised use of our intellectual property is difficult and costly and the steps we have taken may be inadequate to prevent infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors.

Our apps may be removed from major mobile app distribution platforms due to policy violation, which could impair our monetisation ability and harm our business and results of operations.

We distribute our apps to users through major mobile app distribution platforms. Although we have been complying with the policies of major distribution platforms, our competitors may utilise technical methods to manipulate our apps' placement or ads' click through rate, which may implicate us in policy violations of relevant platforms. As a result, a large batch of apps owned by us may be removed from relevant store and lose monetisation capabilities. Since a substantial portion of our revenue is derived from the traffic monetisation of our apps, our business and results of operations may be harmed due to destructed competition.

RISK FACTORS

Our business, financial condition and results of operations may be adversely affected by changes in term and policy of leading distribution platforms, in particular those relating to privacy and the restriction of access rights.

We derive a significant portion of revenue from our Solo X products, which are distributed on leading distribution platforms. The development, operation and monetisation of Solo X apps will be subject to term and policy changes of leading distribution platforms, in particular those relating to privacy and restriction of access rights. Accessing to large volume of user data is the foundation of our understanding and studying of users on an individual basis. For example, one of our horoscope apps performs its palm reading function by scanning users' palms to analyse their relationships, careers and fortunes. Further, collecting users' multi-dimensional demographic, geographic and behavioural data enables us to provide more efficient solutions to our publishers and advertisers.

Although we have not experienced any term or policy changes of leading distribution platforms that had material adverse impact on us during the Track Record Period, we cannot assure that our ability to access to user-specific data or to carry out targeted advertising will not be affected by any term or policy change in the future. Any future term and policy change on the extent to which personal information and user-generated data can be used by us or shared with third parties may adversely affect our ability to leverage and derive economic value from the data that our users generate and share with us, which could result in a decline in our proprietary app traffic monetisation business revenues upon which our revenues are dependent.

We may be subject to claims by third-parties for intellectual property infringement which could result in our payment of substantial damages or licence fees or adversely affect our product and service offering.

As we expand our business, third parties may assert that our technologies or techniques violate their intellectual property rights. Successful intellectual property claims against us could result in significant financial liability or prevent us from operating our business or parts of our business. Despite our efforts to comply with the intellectual property rights of others, we cannot determine with certainty whether we are infringing upon any existing third-party intellectual property rights which may force us to alter our technologies, obtain additional licences or cease significant portions of our operations. We may also be susceptible to claims from third parties asserting infringement and other related claims. Regardless of their merits, such claims could adversely affect our relationships with current or future customers, result in costly litigation, divert management's attention and resources, subject us to significant liabilities, require us to enter into additional royalty or licencing agreements or require us to cease certain activities. Any of the foregoing could adversely affect our business, financial condition, results of operations and prospects.

RISK FACTORS

A decrease in the popularity of any Android or iOS devices may materially and adversely affect our business and operating results.

Our mobile apps are mainly designed for Android and iOS devices and we do not have control over the development of such devices. Any significant decline in the overall popularity of any Android or iOS devices could materially and adversely affect the demand for and revenues generated from our mobile apps. There can be no assurance that the Android or iOS devices will grow in the future and at what growth rate considering the constantly evolving nature of the mobile internet industry. For example, Company G suspended certain businesses with an Android device provider in May 2019 and such suspension restricted the Android device provider to get access to Company G's proprietary apps and services. The number of Android users of our mobile apps increased from approximately 661.1 million by 31 December 2018 to approximately 779.7 million by 30 June 2019, and further increased to approximately 881.5 million by 31 October 2019. Although our Directors are of the view that such restriction does not constitute any material impact on our business and financial performance with the increasing trend of our Android users, to the extent that our mobile applications continue to mainly support Android and iOS devices, our business could be vulnerable to any decline in popularity of the Android or iOS devices caused by other unpredictable factors. In addition, any changes or technical issues in Android or iOS devices may degrade our products' functionality and limit our ability to deliver, target, or measure the effectiveness of ads, or to charge fees related to our delivery of ads, which may have an adverse impact on our business and operating results.

User growth and engagement depend upon effective interoperation of our products with mobile devices, operating systems and standards that we do not control.

Our products and services are available across a variety of mobile devices and our mobile applications are designed to operate on the Android and iOS operating system. In order to deliver high quality products and services to a broad spectrum of mobile internet users, it is important for our products and services to work well with a range of mobile devices, operating systems, networks and standards that we do not control. Any changes in such devices or operating systems that degrade the functionality of our products and services would affect our users' experience with our products. If we fail to develop relationships with the key participants in the mobile internet industry and mobile advertising industry, or if we fail to maintain the effective interoperation of our products and services with these mobile devices, operating systems, networks and standards, our user growth and user engagement could be harmed, and our business and operating results could be adversely affected.

RISK FACTORS

We rely on our assumptions and estimates to calculate certain key operating metrics. Any real or perceived inaccuracies in our calculations may harm our reputation and negatively affect our business.

The numbers of daily active users of our products are calculated using our internal data that has not been independently verified. While these numbers are based on what we believe to be reasonable calculations for the applicable periods of measurement, there are inherent challenges in accurately measuring usage and user engagement across our large user base. Accordingly, the calculations of our active users may not accurately reflect the actual number of people using our products. Our measures of user growth and user engagement may differ from estimates published by third parties or from similarly titled metrics used by our competitors due to differences in methodology. If our advertising customers, business partners or investors do not perceive our user metrics to be accurate representations of our user base or user engagement, or if we discover material inaccuracies in our user metrics, our reputation may be harmed and our advertising customers and business partners may be less willing to allocate their spending or resources to our products, which could negatively affect our business and operating results.

Our success depends largely on the continuing efforts of our senior management, and our business, operation results and financial condition may be adversely affected if we lose their services.

Our success depends largely on the continued efforts of our senior management, in particular, Mr. Liu Chunhe, our founder and chief executive officer. The loss of Mr. Liu Chunhe or any of our senior management members, including Mr. Li Ping, our chief operating officer, and Mr. Wang Kui, our chief financial officer, could harm our business. If any of our core management team members joins a competitor or forms a competing company, we may lose customers, know-how and staff. Although each of our executive officers has agreed to non-competition obligations, these agreements may not be enforceable in the PRC, where our executives and key employees reside, in light of uncertainties relating to PRC legal system.

If we cannot attract, train and retain qualified and highly skilled personnel while controlling our labour costs, we may not be able to sustain our growth.

Our future performance, in part, depends on our ability to attract, train and retain qualified and highly skilled personnel, particularly technical, marketing and other operational personnel with experience in the mobile internet industry. Competition for such personnel in mobile internet industry is intense and is expected to be remaining so for the foreseeable future. Our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth in timely fashion. In addition, labour costs in the PRC and elsewhere have increased with the global economic development, which could also increase our cost to attract and retain talented employees. If we cannot attract, train and retain qualified and highly skilled personnel while controlling our labour costs, we may not be able to sustain our growth.

RISK FACTORS

Our results of operations are subject to seasonal fluctuations due to a number of factors, any of which could adversely affect our business and operating results.

We are subject to seasonality and other fluctuations in our business. Our revenues are affected by seasonality in advertising spending in both international and China markets. We believe that such seasonality in advertising spending affects our quarterly results, resulting in the significant growth revenues between the third and the fourth quarters but a decline from the fourth quarter to the next quarter. As a result, our revenues may vary from quarter to quarter, and our quarterly results may not be comparable to the corresponding periods of prior years, and you may not be able to predict our annual results of operations based on a quarter-to-quarter comparison of our results of operations. While we believe that this seasonality will continue to affect our quarterly results, our rapid growth has largely masked seasonal trends to date on an annualised basis.

We may be exposed to additional challenges and risks in relation to our investment in Mico.

We invested in Beijing Duanji for a consideration of RMB17.9 million in May 2016 and held an equity interest of 17.9% in Beijing Duanji subsequent to the 2016 investment. Beijing Duanji was merged with Mico in May 2017, after which we held an equity interest of 8.95% in Mico. In order to create synergies across our own businesses, we further invested RMB100.0 million in Mico in March 2019. As of the Latest Practicable Date, we held an equity interest of 16.77% in Mico. Such investment involves various challenges and risks, including (i) challenges in achieving the expected benefits of business synergies in connection with such strategic investment; (ii) unforeseeable possibility that Mico may not operate well and our investment may impair in the future; and (iii) actual or alleged misconduct or non-compliance by Mico, which may lead to negative publicity, government inquiry or investigations against us. Consequently, there can be no assurances that our investment in Mico will not have an adverse impact on our business results of operations and reputation. For further details of Mico investment, see “Business – Our Strategic Investment” in this prospectus.

Our results of operations, financial condition and prospects may be adversely affected by the fair value change of our financial assets measured at FVPL due to the risks we faced from our investments in wealth management products and the uncertainty of accounting estimates in the fair value measurement of our financial assets with the use of significant unobservable inputs in the valuation technique.

As part of our treasury management, we invest surplus cash in wealth management products from time to time. These wealth management products and funds are generally issued by major and reputable financial institutions in the PRC and Hong Kong. As of 31 December 2016, 2017 and 2018 and 30 June 2019, the balance of these financial assets at FVPL was RMB245.2 million, RMB220.2 million, RMB198.0 million and RMB134.8 million, respectively. Accordingly, we are subject to the risks that any of our counterparties, such as the banks that issued wealth management products, may not perform their contractual obligations, such as in the event that any such counterparty declares bankruptcy or becomes insolvent. Any

RISK FACTORS

material non-performance of our counterparties with respect to the wealth management products we invested in could materially and adversely affect our financial position and cash flow. Furthermore, our investments are subject to the overall market conditions, including the capital markets. Any volatility in the market or fluctuations in interest rates may reduce our financial position or cash flow, which in turn, could materially and adversely impact our financial condition.

During the Track Record Period, we also invested in equity interests in Mico and Beijing Amber Creative, which amounted to RMB25.1 million, RMB41.5 million, RMB66.5 million and RMB187.9 million as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. As at 31 December 2016, 2017 and 2018 and 30 June 2019, our financial assets measured at FVPL amounted to RMB270.3 million, RMB261.7 million, RMB264.5 million and RMB322.7 million, respectively. The financial assets are measured at fair value with significant unobservable inputs used in the valuation techniques since they are not traded in an active market. For more details of fair value measurements, please refer to Note 3.3 of the Accountant's Report set out in Appendix I to this prospectus. The changes in the fair value of financial assets are recorded as other gain – net in our consolidated statements of comprehensive income, and therefore directly affects our profit for the year and our results of operations. If we incur fair value losses, our results of operations, financial condition and prospects may be adversely affected.

Future strategic alliances or acquisition may not be successful and may have a material and adverse effect on our business, reputation and results of operations.

We may enter into strategic alliances, such as minority equity investment, with third parties to further our business purpose from time to time. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the third party and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

In addition, although we have no immediate acquisition plans, if appropriate opportunities arise, we may acquire additional assets, products, technologies or businesses that are complementary to our existing business. Future acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortisation expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant. In addition to possible

RISK FACTORS

shareholders' approval, we may also have to obtain approvals and licences from relevant government authorities for the acquisitions and to comply with any applicable laws and regulations, which could result in increased delay and costs.

Our business insurance coverage may be inadequate and could expose us to significant costs and business disruption.

Insurance products available in the PRC currently are not as extensive as those offered in more developed economies. Consistent with customary industry practice in the PRC, we do not carry business liability or disruption insurance to cover our operations. We have determined that the costs of insuring for related risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to obtain or maintain such insurance. Any uninsured damage to our systems or disruption of our business operations could require us to incur substantial costs and divert our resources, which could have an adverse effect on our financial condition and results of operations.

We may be involved in disputes or legal and other proceedings arising out of our operations from time to time.

We may be involved in disputes arising out of our operations from time to time with our publishers, advertisers and parties who do not have direct business with us. These disputes may lead to legal or other proceedings and may result in substantial costs, delays in our development and operation schedule, and the diversion of resources and management's attention, regardless of the outcome. We may also have disagreements with regulatory authorities in the course of our operations, which may subject us to administrative proceedings and unfavourable decisions that result in penalties or delay or disrupt the development and operations of our facilities. In addition, from time to time, our Directors and senior management may be parties to litigation or other legal proceedings. Even though we may not be directly involved in such proceedings, such proceedings may affect our reputation and, consequently, adversely impact our business.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our business operations.

We are vulnerable to natural disasters and other calamities. Fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events may give rise to server interruptions, breakdowns, system failures, technology platform 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 develop our products and provide advertising services. Our business could also be adversely affected by the effects of Ebola virus disease, Zika virus disease, H1N1 flu, H7N9 flu, avian flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics. Our business operations could be disrupted if any of our employees is suspected of having Ebola virus disease, Zika virus disease, H1N1 flu, H7N9 flu, avian flu, SARS or other epidemic, since it could require our employees to be quarantined and/or our offices to be disinfected. Most of our Directors, senior

RISK FACTORS

management and employees are based in the PRC. If any of the above-mentioned natural disasters, health epidemics or other outbreaks occur in the regions that we operate, our operations may experience material disruptions, such as temporary closure of our offices and suspension of services, which may materially and adversely affect our business and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

If we fail to obtain and maintain the requisite licences and approvals required under the complex regulatory environment applicable to our businesses in the PRC, or if we are required to take compliance actions that are time-consuming or costly, our business, financial condition and results of operations may be materially and adversely affected.

A portion of our operations are conducted in the PRC, where the mobile internet industry is highly regulated. NewBornTown Mobile Technology and its subsidiaries are required to obtain and maintain applicable licences and approvals from different regulatory authorities in order to provide current services. Under the current PRC regulatory scheme, a number of regulatory agencies, including but not limited to the Ministry of Culture (MOC) and the MIIT, jointly regulate major aspects of the mobile internet industry. Operators must obtain various government approvals and licences for relevant mobile internet business.

We have obtained the ICP licences for provision of internet value-added services, which are essential to the operation of our business and generally subject to regular government review or renewal. We cannot assure you that we can successfully update or renew the licences required for our business in a timely manner or that these licences are sufficient to conduct all of our present or future business. See “Business – Licences and Permits.”

Considerable uncertainties exist regarding the interpretation and implementation of existing and future laws and regulations governing our business activities. We cannot assure you that we will not be found in violation of any future laws and regulations or any of the laws and regulations currently in effect due to changes in the relevant authorities’ interpretation of these laws and regulations. If we fail to complete, obtain or maintain any of the required licences or approvals or make the necessary filings, we may be subject to various penalties, such as confiscation of the revenue that were generated through the unlicensed activities, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

Changes in PRC’s economic, political and social conditions as well as governmental policies could affect our financial condition and results of operations.

A portion of our operations are conducted in the PRC. Accordingly, our financial condition, results of operations and prospectus are subject to the economic, political, social and legal conditions in the PRC. The PRC’s economy differs from the economies of most developed countries in many respects, including the structure of economy, level of government

RISK FACTORS

involvement, level of development, growth rate, control of capital investment, control of foreign currency and allocation of resources. In addition, it cannot be accurately predicted whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial condition and results of operations.

Regulation and censorship of information disseminated over the internet in the PRC may adversely affect our business and subject us to liability for content posted on our platform.

Mobile internet companies in the PRC are subject to a variety of existing and new rules, regulations, policies, and licence and permit requirements. In connection with enforcing these rules, regulations, policies and requirements, relevant government authorities may suspend services by, or revoke licences of, any content service provider that is deemed to provide illicit content on mobile devices, and such activities may be intensified in connection with any ongoing government campaigns to eliminate prohibited content.

We endeavour to eliminate illicit content from our apps. However, government standards and interpretations may change in a manner that could render our current monitoring efforts insufficient. We cannot assure you that our business and operations will be immune from government actions or sanctions in the future. If government actions or sanctions are brought against us, or if there are widespread rumours that government actions or sanctions have been brought against us, our reputation and brand image could be harmed, we may lose users and business partners, our revenue and results of operation may be materially and adversely affected.

The legal system in the PRC embodies uncertainties which could limit the legal protections available to us.

The legal system in the PRC is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. The legal system in the PRC evolves rapidly and the interpretations of many laws, regulations and rules may contain inconsistencies. Our WFOE is incorporated in the PRC and is wholly-owned by us. Our WFOE is subject to laws and regulations applicable to foreign investment in the PRC in general, as well as specific laws and regulations applicable to wholly foreign-owned enterprises. However, these laws, regulations and legal requirements are constantly changing and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to us. In addition, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to mobile internet industry, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations. Furthermore, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

RISK FACTORS

We may be classified as a PRC resident enterprise for PRC enterprise income tax purposes, which could result in unfavourable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the EIT Law an enterprise established outside the PRC whose “de facto management body” is located in the PRC is considered a “PRC resident enterprise” and will generally be subject to the uniform 25% enterprise income tax rate (the “**EIT rate**”), on its global income. Under the implementation rules of the EIT Law, “de facto management body” is defined as the organisation body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On 22 April 2009, the SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People’s Republic of China 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》) (“**Circular 82**”) that 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. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within the PRC; and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within the PRC.

Further to SAT Circular 82, the SAT issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得稅管理辦法》(試行) (“**SAT Bulletin 45**”), which took effect on 1 September 2011 and revised on 17 April 2015. SAT Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration and competent tax authorities’ procedures. Although Circular 82 and SAT Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of the PRC 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. If PRC tax authorities determine that we were treated as a PRC resident enterprise for PRC enterprise income tax purposes, the 25% PRC enterprise income tax on our global taxable income could materially and adversely affect our ability to satisfy any cash requirements we may have.

RISK FACTORS

You may be subject to PRC income tax on dividends from us or on any gain realised 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% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of PRC, which do not have an establishment or place of business in the PRC, 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 realised on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. Under the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realised 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.

Although a majority of our business operations are in the PRC, it is unclear whether dividends we pay with respect to our Shares, or the gain realised from the transfer of our Shares, would be treated as income derived from sources within the PRC and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realised 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 the PRC may not qualify for benefits under such tax treaties or arrangements.

Failure to obtain any preferential tax treatments or the discontinuation, reduction or delay of any of the preferential tax treatments that may be available to us in the future could materially and adversely affect our business, financial condition and results of operations.

The enterprise income tax rate generally applicable in the PRC has been 25% since 1 January 2008 pursuant to the EIT Law. NewBornTown Network Technology, one of our PRC operating companies, qualified as a High and New Technology Enterprise in 2017 and was subject to a preferential income tax rate of 15% for two years commencing from 2017, followed by a 50% reduction in applicable tax rate for the year of 2017 and 75% reduction for the year of 2018. The qualifications of a High and New Technology Enterprise is subject to review by the relevant PRC authorities. Although we successfully obtained our qualification upon completion of the relevant review procedures in the past, we cannot assure you that our PRC operating companies will be able to maintain or renew such qualification. Failure to maintain or renew such qualification would prevent our PRC operating companies from enjoying the preferential tax treatments and if this happens, or if the favourable tax policies

RISK FACTORS

available to our PRC operating companies are withdrawn or revoked by the relevant PRC authorities or become less favourable, our subsidiaries may be subject to EIT rate of 25%, which would materially and adversely affect our net profit and reduce our profitability.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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 or registration with relevant governmental authorities in the PRC. According to the relevant PRC regulations on foreign-invested enterprises in PRC, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System, or FICMIS, and registration with other governmental authorities in the PRC. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches, and (ii) each of our PRC subsidiaries may not procure loans which exceed the difference between its registered capital and its total investment amount as recorded in FICMIS. Any medium or long term loan to be provided by us to our PRC operating entities must be recorded and registered by the National Development and Reform Committee and the SAFE or its local branches. We may not be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the proceeds of the Global Offering and to capitalise our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (“**Circular 19**”), which will replace Circular 142 from 1 June 2015. Circular 19, however, allows foreign invested enterprises in the PRC to use their registered capital settled in Renminbi converted from foreign currencies to make equity investments, but the registered capital of a foreign invested company settled in Renminbi converted from foreign currencies remains not allowed to be used for investment in the security markets, offering entrustment loans or purchases of any investment properties, unless otherwise regulated by other laws and regulations. Circular 19 may limit our ability to transfer the proceeds from the Global Offering to our PRC subsidiaries and convert the proceeds into Renminbi.

RISK FACTORS

Regulation relating to offshore investment activities by PRC residents may subject us to penalties, including restriction on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us.

The SAFE issued the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (《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》) (“Circular 37”), effective on 4 July 2014. Circular 37 requires PRC residents, including PRC individuals and institutions, to register with the SAFE or its local branches in connection with their direct establishment or indirect control of an offshore special purpose vehicle, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. In addition, such residents in the PRC must update their foreign exchange registrations with the SAFE or its local branches when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC individual shareholder, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

If any shareholder holding interest in an offshore special purpose vehicle, who is a PRC resident as determined by Circular 37, fails to fulfil the required foreign exchange registration with the local SAFE branches, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We are committed to complying with, and to ensuring that our Shareholders who are subject to the regulations will comply with, the relevant rules. However, there is no assurance that the PRC government will not have a different interpretation of the requirements of Circular 37 in the future. Moreover, we may not at all times be fully aware or informed of the identities of all of our Shareholders who are PRC residents, and we may not always be able to compel our Shareholders to comply with the requirements of Circular 37.

We principally rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business or financial condition.

We are a holding company and we principally rely on dividends and other distributions on equity that may be paid by our PRC subsidiaries and remittances from NewBornTown Mobile Technology and its subsidiaries, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our ordinary

RISK FACTORS

shares and service any debt we may incur. If our PRC subsidiaries or NewBornTown Mobile Technology and its subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

Under PRC laws and regulations, wholly foreign-owned enterprises in the PRC, may pay dividends only out of their retained earnings as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. At the discretion of the board of director of the wholly foreign-owned enterprise, it may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. Any limitation on the ability of NewBornTown Mobile Technology and its subsidiaries to make remittance to our WFOE to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment.

The value of Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. On 30 November 2015, the Executive Board of the International Monetary Fund ("IMF") completed the regular five-year review of the basket of currencies that make up the Special Drawing Right ("SDR") and decided that with effect from 1 October 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. With the development of the foreign exchange market and progress toward interest rate liberalisation and Renminbi internationalisation, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Further, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects and could reduce the value of and dividends payable on our Shares in foreign currency terms.

RISK FACTORS

Restrictions on the remittance of Renminbi into and out of the PRC and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. We may convert our revenue in Renminbi into other currencies to meet our foreign currency obligations, such as payments to certain suppliers and payments of dividends declared in respect of our Shares, if any. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of the PRC. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries in the PRC to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC.

It may be difficult in effecting service of process upon us or our Directors or officers who reside in the PRC or to enforce non-PRC court judgement against them in the PRC.

Most of our assets are situated in the PRC and most of our Directors and officers and most of their respective assets are located in the PRC. As a result, it may be difficult to effect service of process outside the PRC upon most of our Directors and officers, including with respect to matters arising under applicable securities laws. PRC does not have treaties providing for the reciprocal recognition and enforcement of judgement of courts with the United States, the United Kingdom and many other countries. Consequently, it may be difficult for you to enforce against us or our Directors or officers in the PRC any judgement obtained from courts outside of the PRC.

On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements 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 (《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》) (“**Arrangement**”) and revised on 3 July 2008, pursuant to which a party with a final court judgement rendered by a Hong Kong court

RISK FACTORS

requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in the PRC. Similarly, a party with a final judgement rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgement rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the revised Arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

PRC Laws and regulations establish more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in the PRC.

A number of PRC laws and regulations, including the M&A Rules, the Anti-monopoly Law (《反壟斷法》) promulgated by the Standing Committee of the National People's Congress in August 2007, and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) promulgated by MOFCOM in August 2011 (the “**Security Review Rules**”), have established procedures and requirements that are expected to make merger and acquisition activities in the PRC by foreign investors more time-consuming and complex. These include requirements in some instances that the approval from MOFCOM be obtained in circumstances where overseas companies established or controlled by enterprises or residents in the PRC acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or national security review. We believe that our business is not in an industry related to national security. However, we cannot preclude the possibility that the Ministry of Commerce or other government agencies may publish interpretations contrary to our understanding or broaden the scope of such security review in the future. We may elect to grow our business in the future in part by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions.

RISK FACTORS

The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

Pursuant to the Notice of State Administration for Taxation on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (“**SAT Circular 698**”) issued by the SAT in December 2009 with retroactive effect from 1 January 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company (an “**Indirect Transfer**”), and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on foreign income of its residents, the non-resident enterprise, being the transferor, must report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. 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 reducing, avoiding or deferring PRC tax.

On 28 March 2011, the SAT released the SAT Public Notice (2011) No. 24 (“**SAT Public Notice 24**”), which became effective on 1 April 2011, to clarify several issues related to Circular 698. According to SAT Public Notice 24, the term “effective tax” refers to the effective tax on the gain derived from disposition of the equity interests of an overseas holding company; and the term “does not impose income tax” refers to the cases where the gain derived from disposition of the equity interests of an overseas holding company is not subject to income tax in the jurisdiction where the overseas holding company is a resident.

On 3 February 2015, the SAT issued the Announcement of the SAT on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局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》) (“**SAT Circular 7**”), which abolished certain provisions in SAT Circular 698, as well as certain other rules providing clarification on SAT Circular 698. SAT Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of PRC taxable assets. Under SAT Circular 7, PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC taxable assets, when a non-resident enterprise transfers PRC taxable assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC taxable assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC enterprise income taxes and without any other reasonable commercial purpose. However, SAT Circular 7 contains certain exemptions, including (i) where a non-resident enterprise derives income from the indirect transfer of PRC taxable assets by acquiring and selling shares of an overseas listed company which holds such PRC taxable assets on a public market; and (ii) where there is an indirect transfer of PRC taxable assets, but if the non-resident enterprise had directly held and disposed of such PRC taxable assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement.

RISK FACTORS

On 17 October 2017, the SAT issued the Circular on the Source of Deduction of Income Tax for Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (“**SAT Circular 37**”), which became effective on 1 December 2017 and abolish SAT Circular 698 as well as certain provisions in SAT Circular 7. Pursuant to SAT Circular 37, where the party responsible to deduct such income tax did not or was unable to make such deduction, the non-resident enterprise receiving such income should declare and pay the taxes that should have been deducted to the relevant tax authority. The taxable gain is calculated as the income from such transfer net of the net book value of equity interest.

We have conducted and may conduct acquisitions involving changes in corporate structures, and historically our shares were transferred by certain then shareholders to our current shareholders. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government determines that our Contractual Arrangements do not comply with applicable laws or regulations, or if these laws, regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunications services, internet culture services and other related businesses, including mobile apps development business. In particular, under the Guidance Catalogue of Industries for Foreign Investment, which was revised in 2017 and the special Administrative Measures for the Access of Foreign Investment (2019) (《外商投資准入特別管理措施(負面清單)(2019版)》) (“**Negative List**”), our mobile apps development business fall into the value-added telecommunications business which is considered restricted. To comply with PRC laws and regulations, we conduct our mobile apps development business in the PRC through NewBornTown Mobile Technology and its subsidiary, based on a series of Contractual Arrangements by and among WFOE, NewBornTown Mobile Technology and the PRC Equity Holders. As a result of these Contractual Arrangements, we exert control over NewBornTown Mobile Technology and its subsidiaries and consolidate or combine their results of operations into our financial statements. NewBornTown Mobile Technology and its subsidiaries hold the licences, approvals and key assets that are essential for the operations of our mobile apps development business.

RISK FACTORS

Our PRC Legal Adviser is of the view that (i) the Contractual Arrangements are valid, feasible and enforceable against signatories under any PRC laws, rules and regulations; (ii) the Contractual Arrangements are not in breach of any articles of association of the relevant onshore companies; (iii) the Contractual Arrangements are in compliance with the PRC Contract Law; and (iv) no permits or approvals from relevant authorities are needed except that the equity pledge under the equity pledge agreement shall take effect upon registration with the Administration of Industry & Commerce.

However, there are substantial uncertainties regarding the interpretation and application of current or future mainland PRC laws and regulations. The relevant PRC regulatory have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Thus, we cannot assure you that the PRC government will not ultimately take a view contrary to the opinion of our PRC Legal Adviser. If we are found in violation of any PRC laws or regulations or if the Contractual Arrangements among our WFOE, NewBornTown Mobile Technology and PRC Equity Holders are determined as illegal or invalid by any PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoke the agreements constituting the contractual arrangements;
- revoke our business and operating licences;
- require us to discontinue or restrict operations;
- restrict our right to collect revenue;
- shut down all or part of our websites or services;
- levy fines on us and/or confiscate the proceeds that they deem to have been obtained through non-compliant operations;
- require us to restructure the operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licences or relocate our businesses, staff and assets;
- impose additional conditions or requirements with which we may not be able to comply; or
- take other regulatory or enforcement actions that could be harmful to our business.

Furthermore, any of the assets under the name of any record holder of equity interest in NewBornTown Mobile Technology and its subsidiaries, including such equity interest, may be put under court custody in connection with litigation, arbitration or other judicial or dispute resolution proceedings against that record holder. We cannot be certain that the equity interest will be disposed of in accordance with the contractual arrangements. In addition, new PRC

RISK FACTORS

laws, rules and regulations may be introduced to impose additional requirements that may impose additional challenges to our corporate structure and contractual arrangements. The occurrence of any of these events or the imposition of any of these penalties may result in a material and adverse effect on our ability to conduct internet-related businesses. In addition, if the imposition of any of these penalties causes us unable to direct the activities of NewBornTown Mobile Technology and its subsidiaries or lose the right to receive their economic benefits, we would no longer be able to consolidate such consolidated affiliated entities into our financial statements, thus adversely affect our results of operation.

Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the 2015 draft PRC foreign investment law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

The MOFCOM published a discussion draft of the proposed foreign investment law (《中華人民共和國外國投資法(草案徵求意見稿)》) (the “**2015 Draft Foreign Investment Law**”) in January 2015 for consultation purposes. While MOFCOM solicited comments on the 2015 Draft Foreign Investment Law in early 2015, substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The 2015 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. For more information, see “Contractual Arrangements – Development in Legislation on Foreign Investment in Mainland China – The 2015 Draft Foreign Investment Law”.

Among other things, the 2015 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 (“**FIE**”). Once an entity is determined to be an FIE, it will be subject to the foreign investment restrictions or prohibitions set forth in a “negative catalogue” to be separately issued by the State Council later, if the FIE is engaged in the industry listed in negative catalogue, which calls for market entry clearance by the MOFCOM. Under the 2015 Draft Foreign Investment Law, variable interest entities, or consolidated affiliated entities, that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors.

Although the 2015 Draft Foreign Investment Law was released for consultation purposes, there are substantial uncertainties regarding the 2015 Draft Foreign Investment Law, including with respect to its final content, especially the provisions dealing with VIE structure, adoption timeline or effective date. Mr. Liu Chunhe, our chief executive officer, is a Chinese national and will be capable of exerting material influence on the Board and Shareholders’ meeting of the Company, and is therefore the “actual controller” of the Company. However, our PRC Legal Adviser advised that it was still unclear as of the Latest Practicable Date as to: (i) what level of “actual control” is required to qualify as a domestic enterprise; (ii) how domestic enterprises operated by foreign investors under a contractual arrangement are to be regulated; and (iii) what businesses are to be classified as “restricted business” in the negative catalogue under the 2015 Draft Foreign Investment Law.

RISK FACTORS

If, upon its enactment, the 2015 Draft Foreign Investment Law: (i) does not recognise our structure under our Contractual Arrangements as domestic investment; (ii) does not provide any preferential treatment to investors from Hong Kong, Macau and Taiwan; (iii) requires WFOE to apply for access permission, a government permit that allows foreign investors to invest in “restricted” businesses on the negative catalogue, our Contractual Arrangements may be regarded as invalid and illegal if we have not obtained such access permission. As a result, we may be required to unwind the Contractual Arrangements and we would not be able to continue our business in the PRC through the Contractual Arrangements. The occurrence of such an event could have a material and adverse effect on our business, financial condition and results of operations such that our PRC operating entities would no longer be able to consolidate their financial results into our financial results and we would have to derecognise their assets and liabilities according to the relevant accounting standards. An investment loss would be recognised as a result of such derecognition. Our compliance with the 2015 Draft Foreign Investment Law depends on our adherence to such measures. In the event of any failure to comply with such measures, the Contractual Arrangements may be deemed invalid and illegal and we may be required to unwind the Contractual Arrangements and/or dispose of the PRC operating entities, which could have a material and adverse effect on our business, financial condition and results of operations.

In addition, it is uncertain whether the measures to be adopted by us to maintain control over and receive economic benefits from the PRC operating entities alone will be effective in ensuring compliance with the 2015 Draft Foreign Investment Law (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, such as suspension of investment in our Shares, which may have a material adverse effect on the trading and liquidity of our Shares. For details of the 2015 Draft Foreign Investment Law and the negative catalogue, its potential impact on our Company, and our measures to maintain control over and receive economic benefits from the PRC operating entities, please see “Contractual Arrangements – Development in Legislation on Foreign Investment in Mainland China” for further details.

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

On 23 December 2018, the 7th meeting of the 13th SCNPC reviewed the 2018 draft foreign investment law, and submitted the second draft of the 2018 draft foreign investment law to the NPC for deliberation on 29 January 2019. On 15 March 2019, the NPC adopted the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”) at the closing meeting of the second session of the 13th NPC. Upon taking effect on 1 January 2020, the Foreign Investment Law will replace the Law on Chinese-Foreign Equity Joint Ventures, the Law on Chinese-Foreign Contractual Joint Ventures and the Law on Wholly Foreign-Owned Enterprises. The Foreign Investment Law stipulates three forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment. For more information, please see “Contractual Arrangements – Development in Legislation on Foreign Investment in Mainland China – Foreign Investment Law”. If the

RISK FACTORS

Foreign Investment Law becomes effective in the current form, and the then laws, regulations and rules do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be materially affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in the PRC through any other methods under laws, administrative regulations or provisions prescribed by the State Council”. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the PRC operating entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. If future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be completed by companies with existing contractual arrangements, we may face substantial uncertainties as to the timely completion of such actions. In the extreme case scenario, we may be required to unwind the Contractual Arrangements and/or dispose of the PRC operating entities, which could have a material and adverse effect on our business, financial conditions and results of operations. In the event that our Company no longer has a sustainable business after the aforementioned unwinding or disposal or when such requirements are not complied with, the Stock Exchange may consider us to be no longer suitable for listing on the Stock Exchange and trading our Shares. For details of the Foreign Investment Law and its potential impact on our Company, please see “Contractual Arrangements – Development in Legislation on Foreign Investment in Mainland China – Foreign Investment Law” in this prospectus.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and the NewBornTown Mobile Technology or the PRC Equity Holders may fail to perform their obligations under our Contractual Arrangements.

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunications services, internet culture services and other related businesses, including mobile apps development business. In particular, under the Guidance Catalogue of Industries for Foreign Investment and Negative list, our mobile apps development business falls into the value-added telecommunications services business and is considered “restricted”. As a result, we conduct our mobile apps development business in the PRC through NewBornTown Mobile Technology and its subsidiaries, based on a series of Contractual Arrangements by and among WFOE, NewBornTown Mobile Technology and the PRC Equity Holders. Our revenue and cash flow from our mobile apps development business are attributed to NewBornTown Mobile Technology and its subsidiaries. The Contractual Arrangements may not be as effective as direct ownership in providing us with control over NewBornTown Mobile Technology and its

RISK FACTORS

subsidiaries. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of NewBornTown Mobile Technology, which, in turn, could affect changes, subject to any applicable fiduciary obligations at the management level. However, under the Contractual Arrangements, as a legal matter, if NewBornTown Mobile Technology or the PRC Equity Holders fail to perform their respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. For example, if the PRC Equity Holders were to refuse to transfer their equity interest in NewBornTown Mobile Technology to us or our designee when we exercise the call option pursuant to the Contractual Arrangements, or if they were otherwise to act in bad faith toward us, we might have to take legal action to compel them to perform their respective contractual obligations. In the event we are unable to enforce these Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to exert effective control over our affiliated entities and may lose control over the assets owned by NewBornTown Mobile Technology and its subsidiaries. As a result, we may be unable to consolidate NewBornTown Mobile Technology and its subsidiaries in our consolidated financial statements, which could materially and adversely affect our financial condition and results of operations.

We may lose the ability to use and enjoy assets and licences held by NewBornTown Mobile Technology and its subsidiaries that are important to the operation of our business if NewBornTown Mobile Technology or any its subsidiaries declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

NewBornTown Mobile Technology and its subsidiaries hold certain assets that are related to our business operations. The Contractual Arrangements with NewBornTown Mobile Technology and the PRC Equity Holders contain terms that specifically obligate the PRC Equity Holders to ensure the valid existence of NewBornTown Mobile Technology and that NewBornTown Mobile Technology may not be voluntarily liquidated. However, should the PRC Equity Holders breach this obligation and voluntarily liquidate NewBornTown Mobile Technology, or should NewBornTown Mobile Technology or any its subsidiaries declares bankruptcy, all or part of their assets may become subject to liens or rights of third-party creditors and we may be unable to continue some or all of our business operations, which could materially and adversely affect our business, financial condition and results of operations.

Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

According to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to challenge by the PRC tax authorities, additional taxes and interest may be imposed. We would be subject to adverse tax consequences if the PRC tax authorities were to determine that transactions under the Contractual Arrangements between

RISK FACTORS

WFOE and NewBornTown Mobile Technology were not conducted on an arm's-length basis as the PRC tax authorities have the authority to make special tax adjustments on NewBornTown Mobile Technology's tax position. Such adjustments may adversely affect us by increasing NewBornTown Mobile Technology's tax expenses without reducing the tax expenses of WFOE, subjecting NewBornTown Mobile Technology to late payment fees and other penalties for under-payment of taxes. Our consolidated results of operations may be adversely affected if NewBornTown Mobile Technology's tax liabilities increase or if it is subject to late payment fees or other penalties.

The PRC Equity Holders may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.

We conduct mobile apps development business through NewBornTown Mobile Technology and its subsidiaries. Our control over these entities is based upon the Contractual Arrangements with NewBornTown Mobile Technology and the PRC Equity Holders that allow us to control NewBornTown Mobile Technology. The PRC Equity Holders may potentially have a conflict of interest with us and they may breach their contracts with us if they believe it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us and NewBornTown Mobile Technology, the shareholders will act completely in our interests or that the conflicts of interest will be resolved in our favour. In addition, the PRC Equity Holders may breach or cause NewBornTown Mobile Technology to breach the Contractual Arrangements. If NewBornTown Mobile Technology or the PRC Equity Holders breach their contracts with us or otherwise have disputes with us, we may have to initiate legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly disrupt our business operations, adversely affect our ability to control NewBornTown Mobile Technology and otherwise result in negative publicity. There is also substantial uncertainty as to the outcome of any such legal proceedings.

We conduct mobile apps development business in the PRC through NewBornTown Mobile Technology and its subsidiaries by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.

All the agreements which constitute the Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions and uncertainties in the PRC legal system could limit our ability to enforce the Contractual Arrangements. In the event that we are unable to enforce the Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over NewBornTown Mobile Technology and its subsidiaries, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of NewBornTown Mobile Technology, injunctive relief

RISK FACTORS

and/or winding up of NewBornTown Mobile Technology. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in NewBornTown Mobile Technology in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC. PRC laws do allow the arbitral body to grant an award of transfer of assets or equity interests in NewBornTown Mobile Technology in favour of an aggrieved party. Therefore, in the event of breach of any agreements constituting the Contractual arrangements by NewBornTown Mobile Technology and/or the PRC Equity Holders, and if we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over NewBornTown Mobile Technology, which could negatively affect our ability to conduct our business.

If we exercise the option to acquire equity ownership of NewBornTown Mobile Technology and its subsidiaries, the ownership transfer may subject us to certain limitations and substantial costs.

Pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”) promulgated by the State Council, foreign investors are not allowed to hold more than 50% of the equity interests of any company providing value-added telecommunications services, including ICP services. In addition, the main foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “**Qualification Requirements**”). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. Although we have taken many measures to meet the Qualification Requirements, we still face the risk of not satisfying the requirement promptly. If PRC laws allow foreign investors to invest in value-added telecommunications enterprises in the PRC, we may be unable to unwind the Contractual Arrangements before we are able to comply with the Qualification Requirements, or if we attempt to unwind the Contractual Arrangements before we are able to comply with the Qualification Requirements we may be ineligible to operate our value-added telecommunication enterprises and may be forced to suspend their operations, which could materially and adversely affect our business, financial condition and results of operations.

Pursuant to the Contractual Arrangements, we have the exclusive right to purchase all or any part of the equity interests in our NewBornTown Mobile Technology and its subsidiaries from the respective equity holders for a nominal price, unless the relevant government authorities or PRC laws request that another amount be used as the purchase price and in which case the purchase price shall be the lowest amount under such request. Subject to relevant laws and regulations, the respective equity holders shall return any amount of purchase price they

RISK FACTORS

have received to our WFOEs. If such a return of purchase price takes place, the competent tax authority may require our WFOEs to pay enterprise income tax for ownership transfer income with reference to the market value, in which case the amount of tax could be substantial.

RISK RELATED TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.

Prior to the completion of the Global Offering, there has been no public market for our Shares. The Offer Price is the result of negotiations between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. In addition, there can be no guarantee that an active trading market for our Shares will develop; or, if it does develop, that it will be sustained following completion of the Global Offering. If an active market for the Shares does not develop after the Global Offering, the market price and liquidity of the Shares may be adversely affected. There can be no assurance as to the ability of Shareholders to sell their Shares or the prices at which Shareholders would be able to sell their Shares. Consequently, Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares in the Global Offering.

The liquidity and trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price and trading volume of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in the PRC that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of PRC-based companies have listed their securities, or are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

RISK FACTORS

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, earnings and cash flow could cause the market price of our Shares to change substantially. Investors' perception of our business and financial practices, including our accounting treatments, or those of our peers, may also cause the market price of our Shares to fluctuate. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution, whilst our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their shares. In addition, holders of our Shares may experience further dilution of their interest if we issue additional shares in the future to raise additional capital.

The sale or availability for sale of substantial amounts of our Shares could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares by our existing shareholders, or the possibility of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders Group are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange, details of which are set out in the section headed "Underwriting" in this prospectus. While we currently are not aware of any intention of our Controlling Shareholders Group to dispose of significant amounts of their Shares after the completion of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favourable return. For details of our intended use of proceeds, see "Future Plans and Use of Proceeds." However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgement you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

RISK FACTORS

There will be a time gap between the commencement of the Hong Kong Public Offering and trading of our Shares.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to take place about six business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, successful applications of our Shares are subject to the risk that the price of our Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur during such period.

You may experience difficulties in enforcing your Shareholder rights because we are incorporated in the Cayman Islands; Cayman Islands law may be different from the law of Hong Kong and other jurisdictions and may not provide the same protections to minority shareholders.

We are an exempted company incorporated in the Cayman Islands with limited liability, and the law of the Cayman Islands differs in some respects from that of Hong Kong or other jurisdictions where investors may be located.

Our corporate affairs are governed by, among other things, our Memorandum of Association, our Articles of Association, the Cayman Companies Law and the common law applicable in the Cayman Islands. The rights of shareholders to take legal action against us and our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the Cayman Companies Law, the common law applicable in the Cayman Islands and the Articles. The common law applicable in the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may differ in some respects from those under statutes or judicial precedents in Hong Kong or other jurisdictions where investors may be located.

As a result, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, Directors or major Shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions.

There can be no assurance if and when we will pay dividends in the future.

Subject to the Cayman Companies Law and our Articles of Association, our Company may in a general meeting declare dividends, but no dividends shall exceed the amount recommended by our Board. Our Board may, subject to our Articles of Association, from time to time, pay to our Shareholders such interim dividends as appear to our Board to be justified by the financial conditions and the profits of our Company. Our Board may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of

RISK FACTORS

such distributable funds of our Company as it thinks fit. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under HKFRS, our Articles of Association and the Cayman Companies Law and the common law applicable in the Cayman Islands, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, although we have paid dividends in the past, there can be no assurance whether, when and in what form we will pay dividends in the future.

Certain facts, forecasts and statistics contained in this prospectus are derived from a third-party report and publicly available official sources and they may not be reliable.

Certain facts, forecasts and other statistics contained in this prospectus relating to the PRC, PRC economy and the mobile internet industry in which we operate have been derived from various official government publications or other third-party reports. We have taken reasonable care in the reproduction or extraction of the official government publications or other third-party reports for the purpose of disclosure in this prospectus; however, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

Our future results could differ materially from those expressed or implied by the forward-looking statements.

The forward-looking statements included in this prospectus are based on various assumptions. There are also uncertainties, risks and other unforeseen factors which may cause our actual performance or achievements to be materially different from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking Statements” in this prospectus.

RISK FACTORS

Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports or other publicly available information without carefully considering the risks and other information contained in this prospectus.

There may have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media or otherwise publicly available, nor the fairness or appropriateness of any estimates/forecasts, views or opinions expressed by the press or other media or otherwise publicly available regarding our Shares or the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decision whether to invest in our Shares or in the Global Offering. You should rely solely upon the information contained in this prospectus, the application forms and any formal announcements made by us in making your investment decision regarding our Shares.

Possible setting of the Offer Price after making a Downward Offer Price Adjustment.

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Share. It is therefore possible that the final Offer Price will be set at HK\$1.26 per Offer Share upon the making of a full Downward Offer Price Adjustment.

If the final Offer Price is set at HK\$1.26, the estimated net proceeds we will receive from the Global Offering will be reduced to HK\$121.4 million, and such reduced proceeds will be used as described in the “Future Plans and Use of Proceeds” section of this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange 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. Since our principal business operations are primarily located, managed and conducted in the PRC and will continue to be based in the PRC, our executive Directors and senior management members are and will continue to be based in the PRC. At present, none of our executive Directors is ordinarily resident in Hong Kong. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) We have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorised representatives are Mr. WANG Kui, an executive Director and the chief financial officer of the Company, and Mr. AU-YEUNG Wai Ki, Joseph, one of our joint company secretaries. See “Directors and Senior Management” for more information about our authorised representatives. Each of the authorised representatives has confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required and will be readily contactable by the Stock Exchange by their respective mobile phone numbers, office phone numbers, e-mail addresses and fax numbers. Our Company will provide contact details of the two authorised representatives to the Stock Exchange and will inform the Stock Exchange as soon as practicable in respect of any changes in our Company’s authorised representatives;
- (b) Our authorised representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorised representatives and our Directors, our Company has provided the up-to-date contact details of each Director (such as office phone numbers, mobile phone numbers, email addresses and fax numbers) to the authorised representatives and to the Stock Exchange;
- (c) Our Company will ensure that each Director who is not ordinarily resident in Hong Kong has valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) Our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed CMBC International Capital Limited as our compliance adviser, who will act as an additional channel of communication with the Stock Exchange in addition to the authorised representatives of our Company. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, Companies Ordinance, Companies (Winding up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have appointed Mr. AU-YEUNG Wai Ki, Joseph and Mr. SONG Pengliang as the joint company secretaries of our Company. Mr. SONG Pengliang has been the senior investment manager of NewBornTown Network Technology since March 2018. He has extensive experience in board and corporate management matters. Prior to joining our Group, he worked at PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. Beijing Branch (普華永道諮詢(深圳)有限公司北京分公司) and PricewaterhouseCoopers Business Consulting (Shanghai) Co., Ltd. Beijing Branch (普華永道商務諮詢(上海)有限公司北京分公司) from October 2012 to around August 2015, during which he had worked as a senior consultant, and he worked at Minsheng Securities Co., Ltd. (民生證券股份有限公司) from August 2015 to around March 2018, during which he had worked as a manager. Mr. SONG Pengliang, by virtue of his knowledge and operational and management experience, should be capable of discharging his functions as a company secretary of our Company. However, Mr. SONG Pengliang does not possess the qualifications under Rule 3.28 of the Listing Rules, and may not be able to fulfil the requirements of the Listing Rules on his own. Therefore, our Company has appointed Mr. AU-YEUNG Wai Ki, Joseph, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants, who is qualified under Rule 3.28 of the Listing Rules to act as the other joint company secretary and to work closely with and provide assistance to Mr. SONG Pengliang. The term of the appointment of Mr. SONG Pengliang and Mr. AU-YEUNG Wai Ki, Joseph as the joint company secretaries will expire three years after the Listing Date.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the basis of the proposed arrangements below:

- (a) The waiver is valid for an initial period of three years from the Listing Date. The waiver is granted on condition that we engage Mr. AU-YEUNG Wai Ki, Joseph, who possesses all the requisite qualifications required under Rule 3.28 of the Listing Rules, as a joint company secretary, to assist Mr. SONG Pengliang in the discharge of his duties as a company secretary and in gaining the “relevant experience” as required under Rule 3.28 of the Listing Rules;
- (b) Mr. SONG Pengliang will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will endeavour to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organised by our Company’s Hong Kong legal advisers on an invitation basis and seminars organised by the Stock Exchange for listed issuers from time to time; and
- (c) Upon expiry of the initial period of three years, Mr. SONG Pengliang’s qualifications and experience will be re-evaluated to determine whether the requirements as stipulated in Rule 3.28 of the Listing Rules can be satisfied.

For further details about Mr. AU-YEUNG Wai Ki, Joseph and Mr. SONG Pengliang’s qualifications and experience, see “Directors and Senior Management”.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER IN RELATION TO NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the Contractual Arrangements which would constitute non-exempt continuing connected transactions of our Company under Chapter 14A of the Listing Rules following the completion of the Global Offering. We have applied for, and the Stock Exchange has granted, 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 “Continuing Connected Transactions”.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong (as amended or supplemented from time to time)), the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong (as amended or supplemented from time to time)) and the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The Hong Kong Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the Company's affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in the prospectus.

If it is intended to set the final Offer Price at more than 10% below HK\$1.40 (being the bottom end of the indicative Offer Price range), the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus and the procedures for applying for Hong Kong Public Offer Shares are set out in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus and in the relevant Application Forms.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Public Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his, her or its acquisition of Offer Shares to, confirm that he, she or it is aware of the restrictions on offers of the Offer Shares described in this prospectus. No action has been taken to permit a Hong Kong Public Offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus, and the Global Offering and sale of the Offer Shares, in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including the Offer Shares and Shares to be issued under the Capitalisation Issue.

No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or such other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the Listing Rules) after a trading transaction. You should seek advice from your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights, interests and liabilities.

All necessary arrangements have been made for the Shares to be admitted to CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Controlling Shareholders Group, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our principal share registrar, Maples Fund Services (Cayman) Limited in the Cayman Islands, and our register of members in Hong Kong will be maintained by our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

Dealings in our Shares registered on our share register kept in Hong Kong will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

EXCHANGE RATE CONVERSION

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, (i) the translation between Renminbi and Hong Kong dollars was made at the rate of RMB0.89897 to HK\$1.00, the exchange rate prevailing on 6 December 2019 published by the PBOC for foreign exchange transactions and (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.8267 to US\$1, being the noon buying rate as set forth in the H.10 statistical release of the United States Reserve Board on 29 November 2019.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

TRANSLATION

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities included in this prospectus for which no official English translation exists are unofficial translation for reference only.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. LIU Chunhe (劉春河)	318 Laojuntang Village Weiji Town Huimin County Shandong Province PRC	PRC
Mr. LI Ping (李平)	No. 2, Unit 4, Block 2 106 Jianshe Avenue Fuxing District, Handan Hebei Province PRC	PRC
Mr. WANG Kui (王奎)	San'ai Centre 15 Guanghuali Chaoyang District Beijing PRC	PRC
<i>Independent non-executive Directors</i>		
Mr. PAN Xiya (潘細亞)	No. 6, Unit 1, Block 2 300 Yangdu Village Jiulongpo District Chongqing PRC	PRC
Mr. CHI Shujin (池書進)	No. 1010, Unit 1, Block 2 Subdistrict 4, Donghuashi South Chongwen District Beijing PRC	PRC
Mr. LIU Rong (劉榮)	328 Bibo Road Zhangjiang Town Pudong New District Shanghai PRC	PRC

Further information is disclosed in the section headed “Directors and Senior Management” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

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

Joint Global Coordinators

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

SBI China Capital Financial Services Limited
4/F, Henley Building
No. 5 Queen's Road Central
Hong Kong

Joint Bookrunners

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

SBI China Capital Financial Services Limited
4/F, Henley Building
No. 5 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Fortune (HK) Securities Limited

43/F, COSCO Tower
183 Queen's Road Central
Hong Kong

Zhongtai International Securities Limited

19 Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Elstone Securities Limited

Suite 1601-1604, 16/F., West Tower
Shun Tak Centre
168 – 200 Connaught Road Central
Hong Kong

Shanxi Securities International Limited

Unit A, 29/F, Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

China Everbright Securities (HK) Limited

24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

ABCI CAPITAL LIMITED

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

**China Industrial Securities International
Capital Limited**

7/F, Three Exchange Square
8 Connaught Place
Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

CMBC Securities Company Limited

45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Haitong International Securities Company Limited

22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

SBI China Capital Financial Services Limited

4/F, Henley Building
No. 5 Queen's Road Central
Hong Kong

Fortune (HK) Securities Limited

43/F, COSCO Tower
183 Queen's Road Central
Hong Kong

Zhongtai International Securities Limited

19 Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Elstone Securities Limited

Suite 1601-1604, 16/F., West Tower
Shun Tak Centre
168 – 200 Connaught Road Central
Hong Kong

Shanxi Securities International Limited

Unit A, 29/F, Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

China Everbright Securities (HK) Limited

24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

**ABCI SECURITIES COMPANY
LIMITED**

10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

**China Industrial Securities International
Capital Limited**

7/F, Three Exchange Square
8 Connaught Place
Central, Hong Kong

Luk Fook Securities (HK) Limited

Units 2201-7 & 2213-14, Cosco Tower
183 Queen's Road Central
Hong Kong

**Futu Securities International (Hong
Kong) Limited**

Unit C1-2, 13/F, United Centre
No. 95 Queensway
Hong Kong

**Alpha International Securities (HONG
KONG) Limited**

Unit 2301, 23/F, Far East Consortium
Building
121 Des Voeux Road Central
Hong Kong

Valuable Capital Limited

Room 2808, 28th Floor, China Merchants
Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

RSI Securities Limited

Unit 2008, 20/F, Sunlight Tower
248 Queen's Road East, Wan Chai
Hong Kong

Legal Advisers to the Company

As to Hong Kong and US laws

Herbert Smith Freehills

23/F Gloucester Tower
15 Queen's Road Central
Hong Kong

As to PRC laws

Jingtian & Gongcheng

34/F, Tower 3, China Central Place
77 Jianguo Road
Beijing
PRC

As to Cayman Islands laws

Maples and Calder (Hong Kong) LLP

53rd Floor, The Centre
99 Queen's Road Central
Central
Hong Kong

As to the laws of the State of Delaware

Potter Anderson & Corroon LLP

1313 North Market Street
P.O. Box 951
Wilmington, DE
United States

As to the laws of the State of California

Taylor English Duma LLP

One Market Street, Spear Tower
Suite 3600
San Francisco, CA
United States

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to Singapore laws

Lex Advocatus LLC

38 Beach Road

Level 30, South Beach Tower

Singapore

As to Ireland laws

McCann FitzGerald

Riverside One

Sir John Rogerson's Quay

Dublin 2

Ireland

**Legal Advisers to the Sole Sponsor and
the Underwriters**

As to Hong Kong laws

Reed Smith Richards Butler

20th Floor Alexandra House

18 Chater Road

Central

Hong Kong

As to PRC laws

Grandall Law Firm (Beijing)

9/F, Taikang Financial Tower

38 North Road

East Third Ring

Beijing

PRC

**Reporting Accountant and
Independent Auditor**

PricewaterhouseCoopers

Certified Public Accountants

22/F Prince's Building

Central

Hong Kong

Hong Kong Legal Counsel

Mr. Chan Chung

10/F, Grand Building

15-18 Connaught Road Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Industry Consultant

Shanghai iResearch Co., Ltd.
3/F, Tower B, Guanghai SOHO II
No. 9 Guanghua Road, Chaoyang District
Beijing
PRC

Independent Valuer

**Asia-Pacific Consulting and Appraisal
Limited**
Flat/RM A, 12/F Kiu Fu Commercial Bldg
300 Lockhart Road
Wan Chai
Hong Kong

Compliance Adviser

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

Receiving Bank

CMB Wing Lung Bank Limited
45 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

Registered Office	The offices of Maples Corporate Services Limited PO Box 309 Ugland House Grand Cayman, KY1-1104 Cayman Islands
Headquarters and Principal Place of Business in the PRC	12/F, Tower A, CEC Development Building Sanyuanqiao Chaoyang District Beijing PRC
Principal Place of Business in Hong Kong	Room 1903-4, Floor 19 Hong Kong Trade Centre 161 Des Voeux Road Central Hong Kong
Company's Website	<u>www.newborntown.com</u> <i>(The information on the website does not form part of this prospectus)</i>
Joint Company Secretaries	Mr. SONG Pengliang 12/F, Tower A, CEC Development Building Sanyuanqiao Chaoyang District Beijing PRC Mr. AU-YEUNG Wai Ki, Joseph Room 1903-4 Floor 19, Hong Kong Trade Centre 161 Des Voeux Road Central Hong Kong <i>(Certified public accountant in Hong Kong, member of Hong Kong Institute of Certified Public Accountants and fellow member of the Association of Chartered Certified Accountants)</i>

CORPORATE INFORMATION

Authorised Representatives	Mr. WANG Kui 12/F, Tower A, CEC Development Building Sanyuanqiao Chaoyang District Beijing PRC
	Mr. AU-YEUNG Wai Ki, Joseph Room 1903-4 Floor 19, Hong Kong Trade Centre 161 Des Voeux Road Central Hong Kong
Nomination Committee	Mr. PAN Xiya (Chairman) Mr. LI Ping Mr. CHI Shujin
Audit Committee	Mr. CHI Shujin (Chairman) Mr. LIU Rong Mr. PAN Xiya
Remuneration Committee	Mr. LIU Rong (Chairman) Mr. WANG Kui Mr. PAN Xiya
Compliance Adviser	CMBC International Capital Limited 45/F, One Exchange Square 8 Connaught Place Central Hong Kong
Cayman Islands Principal Share Registrar and Transfer Agent	Maples Fund Services (Cayman) Limited P.O. Box 1093 Boundary Hall, Cricket Square Grand Cayman KY1-1102 Cayman Islands
Hong Kong Branch Share Registrar	Computershare Hong Kong Investor Services Limited Shop 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

CORPORATE INFORMATION

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road, Central
Central
Hong Kong

Industrial and Commercial Bank of China
Limited
Beijing Academy of Sciences Sub-branch
2A Xinkexiangyuan
Haidian District
Beijing
PRC

INDUSTRY OVERVIEW

The information presented in this section includes certain facts, statistics and data, derived from the iResearch Report, which was commissioned by us and from various official government publications and other publicly available publications, unless otherwise indicated. Our Directors believe that the sources of the information presented here are appropriate, including forward-looking information for future periods as identified, and we have taken reasonable care in extracting and reproducing such information.

Our Directors have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of this commissioned report which may qualify, contradict, or have an adverse impact on the quality of information in this section. The information has not been independently verified by us nor by any of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and their respective directors, advisers, and affiliates or any other party (excluding iResearch) and no representation is given as to its accuracy, completeness or fairness. The information and statistics may not be consistent with other information and statistics compiled or available from other sources within or outside the PRC. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

Founded in 2002, iResearch is a leading provider of online user data and consumer insights in the PRC. Headquartered in Beijing and Shanghai, iResearch has a management team with over 400 employees worldwide and has accumulated extensive experience in researching and monitoring the development of the internet industry in the PRC.

We have agreed to pay a commission fee of RMB580,000 for the iResearch Report. Our Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the iResearch Report. In compiling and preparing the research report, iResearch conducted primary research including interviews with industry participants. Also, secondary research, which involved reviewing industry publications, annual reports and data based on its own database, was conducted. iResearch presented the figures for various market size projections from historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. iResearch assumed that (i) the social, economic and political environment is expected to remain stable and (ii) key industry drivers are likely to continue to affect the market over the forecast period from 2019 to 2023.

INDUSTRY OVERVIEW

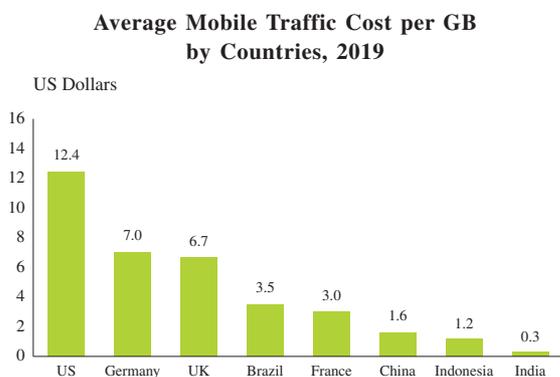
GLOBAL MOBILE INTERNET MARKET

Overview

The proliferation of global mobile internet has developed significantly and the scale of mobile internet users has been increasing in recent years. According to the iResearch Report, in 2014, the worldwide population of mobile internet users was 2.4 billion and reached 3.6 billion in 2018, indicating a CAGR of 10.7%. The worldwide population of mobile internet users is projected to reach 4.4 billion in 2023, representing a CAGR 4.1%. According to the iResearch Report, the global mobile penetration rate increased from 32.9% in 2014 to 47.2% in 2018, and is projected to reach 54.8% in 2023. The penetration rates of internet users in Europe and the United States are relatively high, while in some regions such as Africa and Southeast Asia, the penetration rates are relatively low. In addition, the penetration rate in the youth is higher than that of the total population. Countries and regions with low penetration and rapid growth of youth population are expected to be benefited from the massive growth of domestic population in the future.

According to the iResearch Report, the scale of global smartphone users reached 2.66 billion in 2018, and will exceed 3 billion in 2020. The rising scale and penetration of global smartphone users reflects the foundation of overseas users with good hardware and equipment, which promotes the overseas users demand for more mobile internet products and services, and enhances the driving force of the development of PRC internet companies in overseas market.

At present, the average cost of mobile traffic in emerging countries is still low, among which the cost of mobile traffic in India is only \$0.3 per GB. The relatively low cost of mobile traffic encourages users' usage of and spending in mobile internet products. Global internet traffic consumption continues to grow at a high speed, and the five-year CAGRs of mobile traffic consumption in all regions of the world are more than 35%. Among them, the Middle East & Africa, Asia-Pacific and Latin America are listed in Top 3, the CAGRs of mobile traffic are 56%, 49% and 43%, respectively. The following charts set forth the average mobile traffic cost by countries in 2019 and the CAGR of consumption of mobile traffic by regions from 2017 to 2022:



CHINA'S AI TECHNOLOGY DEVELOPMENT

According to the iResearch Report, AI technologies in mobile internet industry are becoming mature and their applications include intelligent information distribution, precision marketing, information processing and content creation. The key technologies in AI include machine learning, knowledge mapping, natural language processing and computer vision. Machine learning, especially deep learning is the core of AI, which is the basis of machine analysis, reasoning and decision-making.

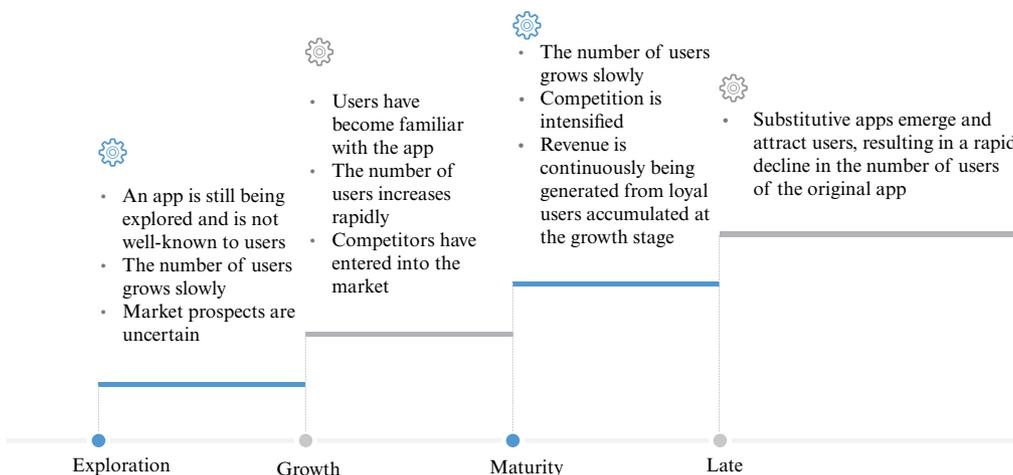
With the development of the internet and the increasing popularity of mobile devices, the increasing time spent on mobile devices results in the users' higher demand for more diverse and personalised mobile experience. AI technologies can accurately identify the classified user groups, and infer the users' preferences through quantitative analysis, thereby helping the app developers optimise products, improve users' experience, and distribute the tailored information to the users and helping the advertisers deliver customised ads to targeted users via their apps. In precision marketing, mobile ads are presented to users in different scenarios, such as search engines, streaming products, videos, and games, which can be calculated by intelligent analysis of multi-dimensional big data of AI algorithms. Equipped with AI capabilities, mobile internet companies strive to provide intelligent and creative marketing strategies and recommendations, and accurately target users in various scenarios and channels.

Additionally, unlike the traditional method of planning marketing campaigns, through the integration and analysis of the large amount of data by AI, mobile internet companies are able to generate marketing ideas of different forms and contents quickly according to different ad campaigns, whereby user's interests and demands can be better served, and the click-through rate and conversion rate of marketing campaigns can be improved.

GLOBAL MOBILE APP INDUSTRY

Global Mobile App Development

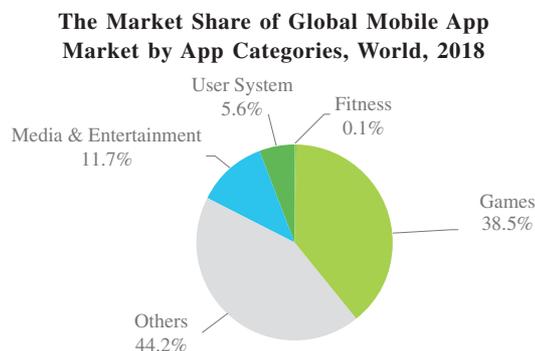
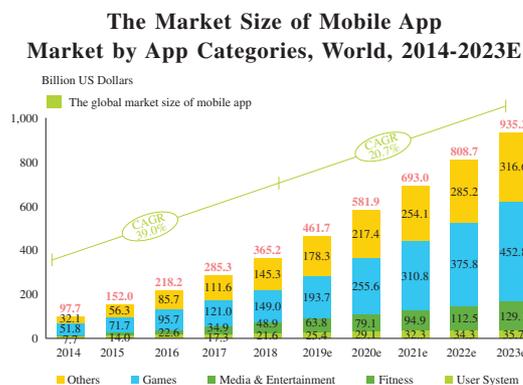
According to the iResearch Report, as an important channel for information distribution, the development of mobile apps is an essential business model in mobile internet industry. According to the iResearch Report, a typical mobile app would experience four stages in terms of life cycle, namely exploration stage, growth stage, maturity stage and late stage. The following diagram sets forth the features of an app's lifecycle stages:



According to the iResearch Report, the scale of global mobile apps market, including the advertising revenue and in-app purchase revenue, increased from US\$97.7 billion in 2014 to US\$365.2 billion in 2018, representing a CAGR of 39.0%. It is estimated to continue growing at a CAGR of 20.7% from 2018 to 2023, and reach US\$935.2 billion in 2023. For the user system apps, the global market size increased from US\$6.0 billion in 2013 to US\$21.6 billion in 2018, representing a CAGR of 37.6%. It is estimated to continue growing at a CAGR of 10.5% from 2018 to 2023, and reach US\$35.7 billion in 2023. The mobile internet markets of some countries in South America are still at an early development stage, and it is expected that users in such markets will continue to have high demands for user system apps. As the Android operating system offers users personalised experience and Android device users are in need of anti-virus, power control and other functions to enhance the security of Android operating system, user system apps are widely available on Android operating system. While the operating systems of Android phones, such as Xiaomi, Huawei and Samsung smartphones, are already equipped with certain functions of user system apps, the users will still explore other user system apps which can provide more customised functions to them. As a result, the further growth of the Android operating system market share, which is estimated to increase from 85.1% in 2018 to 87.0% in 2019 due to the development of 5G technology and the increasing number of mobile phone manufacturers of Android devices, is expected to drive the demands for user system apps. For the games apps, the global market size increased from US\$51.8 billion in 2014 to US\$149.0 billion in 2018, representing a CAGR of 30.2%. It is estimated to continue growing at a CAGR of 24.9% from 2018 to 2023, and reach US\$452.8 billion in 2023.

INDUSTRY OVERVIEW

For the media & entertainment apps, the global market size increased from US\$7.7 billion in 2014 to US\$48.9 billion in 2018, representing a CAGR of 58.5%. It is estimated to continue growing at a CAGR of 21.4% from 2018 to 2023, and reach US\$129.1 billion in 2023. For the fitness apps, the global market size increased from US\$0.08 billion in 2013 to US\$0.43 billion in 2018, representing a CAGR of 53.3%. It is estimated to continue growing at a CAGR of 18.9% from 2018 to 2023, and reach US\$1.02 billion in 2023. The following charts set forth the global market size of mobile apps by app categories from 2014 to 2023 and the market share of global mobile app market by app categories in 2018:



Note: Global mobile app market includes the advertising revenue and the revenue paid in-app (including the fee for installing the mobile apps and the in-app purchases).

In 2018, the ARPU reached US\$101.46 worldwide, for which the revenue of mobile apps included without limitation the in-game purchases, sales of virtual items and gifts, content subscription fee and advertising revenue. The monetisation rate of mobile apps vary and a number of games, social networking and content apps and the mobile apps developed by top internet companies took up the majority share of mobile app users' expenditure.

The ARPU of the Group's apps in the User System sub-matrix which ranked top ten by revenue contribution in 2016 and 2017 was generally below the industry average of user system apps as the Group took time to build the suites of apps in different sub-matrices and improve the performance of apps for offering better user experience to attract users; while the ARPU of such apps in 2018 was close to the industry average. The ARPU of the Group's apps in sub-matrices other than the User System sub-matrix which ranked top ten by revenue contribution in 2018 was lower than the industry average of games, media & entertainment and fitness apps as the Group started to monetise the mobile apps in sub-matrices other than the User System sub-matrix since late 2017 and the Group decided to remain relatively restrained when designing ad spaces on such mobile apps, for which the monetisation was primarily through mobile advertising instead of in-app purchases like many other players do.

INDUSTRY OVERVIEW

The following table sets forth the global industry average of ARPU per app for mobile apps by app categories in respect of the said top ten apps of the Group:

US dollar	2016	2017	2018
User system	0.16	0.17	0.19
Fitness	-	-	0.44
Media & entertainment	-	-	1.09
Games	-	-	20.96

Note: Among the Group's apps that ranked top ten by revenue contribution in 2016 and 2017, none are within the Fitness, Media & Entertainment and Games sub-matrices and hence the corresponding industry data was not disclosed herein.

According to the iResearch Report, the retention rate is used to evaluate the user stickiness and to track user activities of mobile apps and the retention rates for different types of mobile apps are generally similar. In addition, the seven-day retention rate is a commonly-used index to represent the retention rate, which indicates the percentage of users returning on the seventh day after installing an app, and a higher seven-day retention rate indicates stronger user stickiness and user retention. The seven-day retention rates of the Group's apps that ranked top ten by revenue contribution in 2016, 2017 and 2018 were generally within the range of the industry average and a table of the range of industry average of the seven-day retention rates for mobile apps worldwide by app categories in respect of the said top ten apps of the Group is set out below. A range of such industry average is disclosed in the below table as seven-day retention rates in the global mobile app market are influenced by various factors, such as seasonality and regions, and it is difficult to calculate the industry average as precise indicators.

Percentage	2016 (%)	2017 (%)	2018 (%)
User system	17.0-31.0	14.0-30.0	10.0-26.0
Fitness	-	-	12.0-25.0
Media & entertainment	-	-	12.5-23.0
Games	-	-	10.0-25.5

Note: Among the Group's apps that ranked top ten by revenue contribution in 2016 and 2017, none are within the Fitness, Media & Entertainment and Games sub-matrices and hence the corresponding industry data was not disclosed herein.

INDUSTRY OVERVIEW

According to the iResearch Report, the DAU/MAU ratio is used to evaluate user stickiness and the usage frequency of mobile apps and to track the user activities of mobile apps; a higher DAU/MAU ratio indicates stronger user stickiness. The DAU/MAU ratios of the Group's apps that ranked top ten by revenue contribution in 2016, 2017 and 2018 were generally higher than the range of the industry average and a table of the range of industry average of the DAU/MAU ratios for mobile apps worldwide by app categories in respect of the said top ten apps of the Group is set out below. A range of such industry average is disclosed in the below table as DAU/MAU ratios in the global mobile app market are influenced by various factors, such as seasonality and regions, and it is difficult to calculate the industry average as precise indicators.

Percentage	2016 (%)	2017 (%)	2018 (%)
User system	13.0-23.0	11.5-21.0	11.0-21.0
Fitness	-	-	10.0-20.0
Media & entertainment	-	-	13.0-21.0
Games	-	-	13.0-20.0

Note: Among the Group's apps that ranked top ten by revenue contribution in 2016 and 2017, none are within the Fitness, Media & Entertainment and Games sub-matrices and hence the corresponding industry data was not disclosed herein.

The Group believed that the reason of the Group's said higher DAU/MAU ratios was because (i) the Group has been engaged in mobile app development for more than six years and its top ten apps by revenue contribution generally offered better user experience and functionalities to retain users; (ii) the Group's mobile apps, such as the utilities and music apps, are designed in accordance with the users' habits and needs of using mobile devices, for example, users may wish to maintain their mobile devices in a good operating condition or listen to the music on a daily basis; (iii) the Group's unbundling strategy allows it to design and develop apps accommodating to the specific demands and preferences of different groups of users and the Group continues to optimise and update the apps according to their performance metrics and user feedback, which results in the relatively high user stickiness of its mobile apps. For the details of the operational and financial data of all of the apps that generated revenue or the top ten apps by revenue contribution (as the case may be) of our Group for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, please refer to the section headed "Business – Business Operations – Solo X Product Matrix".

According to the iResearch Report, eCPM is used by app developers as publishers to determine the revenue generated from a thousand impressions delivered on the apps and to measure the performance of a publisher's inventory being sold in various channels. The eCPM of the Group's apps in the User System, Fitness, Media & Entertainment and Games sub-matrices in 2016, 2017 and 2018 were within the range of industry average and a range of such industry average is disclosed in the below table as the eCPM is influenced by various factors, such as seasonality, user scale, ad formats of the publishers, and it is difficult to

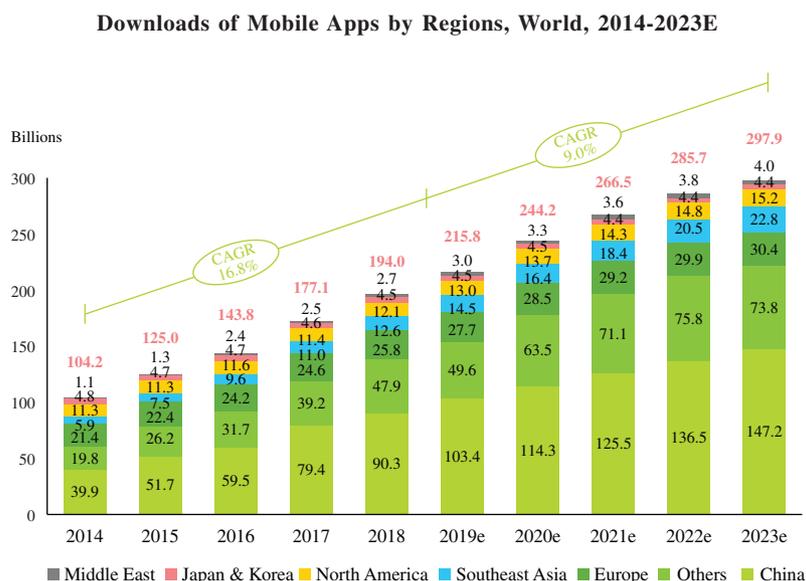
INDUSTRY OVERVIEW

calculate the industry average as precise indicators. For the eCPM of the Group’s mobile app sub-matrices during the Track Record Period, please refer to the section headed “Business – Business Operations – Solo X Product Matrix – Key Operational Data”.

US dollar	2016	2017	2018
User system	0.35-5.13	0.51-7.44	0.67-9.75
Fitness	-	2.2-8.77	2.6-11.00
Media & entertainment	-	1.8-14.88	2.1-19.50
Games	-	2.9-10.30	3.4-13.50

Note: None of the Group’s apps are within the Fitness, Media & Entertainment and Games sub-matrices in 2016 and hence the corresponding industry data was not disclosed herein.

As the extent of the development of mobile internet and infrastructure is different, the development stage of the app market in each country may be different. According to the iResearch Report, countries and regions with well-established app markets include China, North America, Europe, Israel, Japan and South Korea has entered a mature stage of development with decreasing growth of downloads volume. At the same time, countries and regions, including Southeast Asia (such as Singapore and Indonesia), the Middle East, South America and Africa, are still growing steadily at a relatively high speed, which becomes the emerging markets of mobile internet and the new markets of China mobile apps’ development overseas. In 2018, the total number of global app downloads reached 194 billion. The application of 5G mobile network starting from 2019 will further stimulate mobile users’ demand for mobile apps. The following chart sets forth total global downloads of mobile apps by regions from 2014 to 2023:



INDUSTRY OVERVIEW

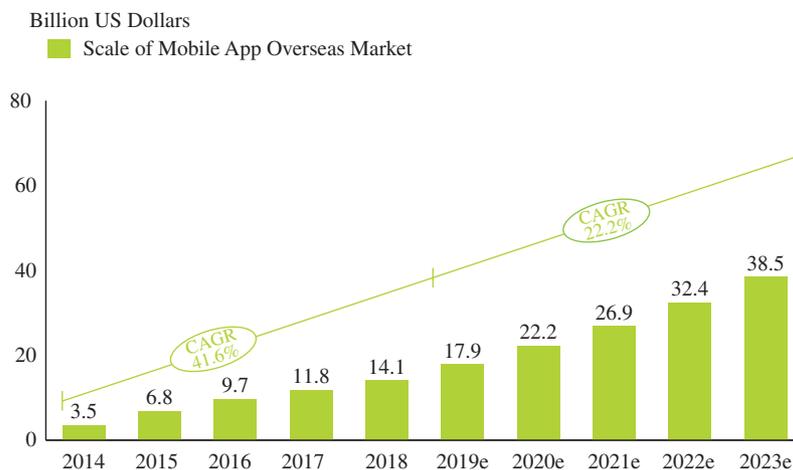
PRC App Developers' Global Expansion

According to the iResearch Report, a small number of utility apps developed by PRC internet companies were released in the overseas market around 2010. Subsequently, leveraging on their successful experience in China, the leading PRC internet companies began to expand their business overseas. With the improvement of mobile device performance, there was a significant increase of the number of apps developed by PRC internet companies who engaged in and focussed on overseas markets around 2015. Meanwhile, a number of small and medium enterprises emerged and positioned their target market overseas since their inception with more specialised apps including content and social networking apps, among others. According to the iResearch Report, in 2018, 40% of the top 50 PRC mobile apps' overseas downloads was games, 16% was tools and the rest include beauty camera, ecommerce, short videos & live streaming, contents and social network.

Scale of China's Overseas Mobile App Market

According to the iResearch Report, the scale of China's overseas mobile app market increased from US\$3.5 billion in 2014 to US\$14.1 billion in 2018, representing a CAGR of 41.6%. It is estimated to continue growing at a CAGR of 22.2% from 2018 to 2023, and reach US\$38.5 billion in 2023. After the explosive growth from 2015 to 2016 with an annual growth rate of 41.3%, the growth from 2017 to 2018 maintained a relatively moderate annual growth rate of 19.4%. The popularity of PRC short videos and livestreaming apps in late 2018 in the overseas market further established the potential in the overseas development of PRC mobile apps. At the same time, the incoming 5G era also creates a new opportunity for game products to continue the growth in the number of users and usage time. This market is estimated to maintain an annual growth rate of around 20% from 2019 to 2023. The following chart sets forth the overseas market size of PRC mobile apps from 2014 to 2023:

Mobile App in the Overseas Market Size, China, 2014-2023E



Note: China mobile app market includes the advertising revenue obtained by PRC mobile apps outside China and the revenue paid in-app (including the fee for installing the mobile apps and the in-app purchases).

INDUSTRY OVERVIEW

Key Drivers

According to the iResearch Report, global and China's overseas mobile app markets have the following key drivers:

- *Global economy.* The steadily rising GDP of emerging economies and significant per capita income release labor force and promote global users' willingness to pay in apps. Global mobile internet environment has improved. There is a rising scale and penetration of global smartphone users and mobile internet users, which provide monetisation foundation for apps.
- *Global technology development.* After years of development of the mobile app market, the app development technologies become more and more mature, which improves user experience.
- *PRC economy.* China mobile internet market is becoming more mature and begins to lead the trend of global market and PRC internet companies have strong financial capabilities after years of operation. The labour cost of software engineers in China is approximately one fifth of that of the European and the United States. With the increase in the export of China's mobile devices, PRC mobile apps entered overseas market by pre-installation. In addition, overseas third-party app stores have orderly competition environment and transparent market rules.
- *PRC technology development.* The competitiveness of China mobile internet industry created a number of technology-oriented internet companies with mature development and operation experience. The huge user base in China also enables such companies to achieve a relatively leading position in the development of server capacity for mobile apps.

In addition to the key drivers for global and China's overseas mobile app markets mentioned above, the markets of different categories of apps have the following specific key drivers:

- *User system apps.* As the Android operating system offers users personalised experience and Android device users are in need of anti-virus, power control and other functions to enhance the security of Android operating system, user system apps are highly demanded by Android device users and widely available on Android operating system. The Android operating system has been taking a leading position in terms of global market share in recent years, which drives the demands for user system apps.
- *Games apps.* The significantly increased number of Wi-Fi hotspots and 4G connected devices per capita worldwide in recent years and the gradual application of 5G technology provide infrastructure for mobile games apps.

INDUSTRY OVERVIEW

- *Media & entertainment apps.* Users have more leisure time as the technology development improves production efficiency, and the mobile internet has gradually become the main way for users to entertain and relax, which supports the demand for media & entertainment apps.
- *Fitness apps.* Users have started to pursue healthy lifestyles and realised the benefits of exercises, which drives the demand for fitness apps.

Barriers to Entry

According to the iResearch Report, barriers to entry for global and China's overseas mobile app markets include:

- *Technical barriers.* It is important to have competitive advantages in innovative product development and technical capabilities to compete with global app developers and to excel in the competitive overseas mobile internet industry and acquire more overseas users.
- *Channel barrier.* In terms of distribution channels, developers should have an in-depth understanding of relevant policies and regulations, especially those published by App Store and Google Play. In terms of promotion channels, overseas media resources are concentrated on top media platforms with high quality media resources such as a top internet and technology company and a leading social networking platform. Access to their network platform has become the choice of most app developers overseas. Therefore, maintaining good business relationship and cooperation with such top media platforms is important for monetisation.
- *Capital barriers.* The marketing budget for promotion and user acquisition in overseas market is large. Further, it is helpful to establish localised operating teams, which also requires a considerable amount of capital investment.
- *Talent barriers.* The optimisation of products, user acquisition strategies and technology upgrade require talents with extensive technology background and experience.
- *Localisation barriers.* The cultural background, policies, customs and lifestyles of the PRC are quite different from the overseas. It is difficult to satisfy the needs of local users in overseas markets. It is necessary to understand the language, reading style, religious culture and other multidimensional backgrounds of the target markets.

INDUSTRY OVERVIEW

In addition to the abovementioned barriers to entry of the global and China's mobile apps markets, the markets of different categories of apps have the following specific barriers to entry:

- *User system apps.* As a few user system apps have already been pre-installed by mobile phone manufactures, other third-party user system apps need to develop unique features to attract users.
- *Games apps.* To ensure a smooth and better user experience, it is necessary to provide reliable servers for games apps. Games apps users' demands for better game design and rewards require the game developers to have strong game design abilities.
- *Media & entertainment apps.* High-quality content copyright has become the core of attracting users to use media & entertainment apps. Copyright competition challenges the development of such apps.
- *Fitness apps.* As exercises require professional instructions, the content creation of fitness apps is in need of the participation of specialists in relevant fields.

Future Trends

According to the iResearch Report, the global and China's overseas mobile app markets have the following future trends:

- *The wide application of 5G.* The wide applications of 5G prompt the development of internet of things. Apps are used not only on smartphones or tablets, but also on cars or intelligent household devices. In addition, the surge of internet speed stimulates users' mobile internet demand and enhances the app market space.
- *Enhancement of big data analysis ability.* Based on big data analysis ability, apps could have more in-depth understanding of user needs and preferences, which could improve the efficiency of information distribution.
- *Development of China's business-to-business service enterprises.* China's business-to-business enterprises start exploring overseas development, including infrastructure companies, cloud-service companies and advertising companies. Such collaboration support the competitiveness of PRC apps overseas.

INDUSTRY OVERVIEW

In addition to the abovementioned trends of the global and China's mobile apps markets, the markets of different categories of apps have the following specific trends:

- *User system apps.* The mobile internet markets of some countries in South America are still at an early development stage, and it is expected that users in such markets will continue to have high demands for user system apps.
- *Games apps.* Users' demands for games apps are expected to increase as there is an increasing penetration rate of global smartphone users, in particular the young adults who are highly enthusiastic for mobile games. Functions will be more adaptive with the upgrades of software and hardware of mobile devices, which could support games in more formats.
- *Media & entertainment apps.* The technology innovation, such as combining the VR and AR technology with video contents, will enhance user experience. In addition, the opportunities for new entrants are reducing, due to the top players' dominance.
- *Fitness apps.* The integration of online fitness apps, which provides online instructions and social networking function, and offline gyms will be accelerated, thereby creating synergy effect in the fitness industry.

AI Application in Mobile Apps Development

With the gradual penetration of AI technologies in the field of information distribution, mobile app developers can make accurate content recommendation to users and optimise products in accordance with user feedbacks. AI technologies can improve the efficiency and accuracy of pushing content to target users, helping users access favourite content more conveniently and assisting content providers to acquire more loyal users. Further, with AI technologies, content producers and distributors can collect and analyse the user behaviour data on mobile apps in real time, dynamically adjust the distribution rules and marketing strategies. Additionally, the data collected can assist product development teams to optimise products and improve users' experience.

INDUSTRY OVERVIEW

Competitive Landscape of Global Mobile App Market

According to the iResearch Report, up to 31 December 2018, the number of global mobile app developers ranged from 460,000 to 580,000, and they had provided more than 9.8 million mobile apps for mobile internet users globally with a market size of US\$365.2 billion in 2018 in terms of advertising revenue and the revenue paid in-app. The following chart sets forth the rankings and market share of major mobile internet companies in the global mobile app market and our Group in terms of revenue in 2018, the major competitors listed below were leading global and PRC internet technology companies such as a leading global social networking platform, a top global e-commerce platform and a top PRC internet technology company operating content platforms:

Ranking	Name of company	Market share (%)
1	Competitor A	26.1%
2	Competitor B	14.5%
3	Competitor C	7.6%
4	Competitor D	7.5%
5	Competitor E	6.0%
6	Competitor F	5.7%
7	Competitor G	4.1%
8	Competitor H	3.3%
9	Competitor I	2.6%
10	Competitor J	2.1%
.....	
850-900	the Group	0.004%

Notes:

- (1) The ranking is based on the competing companies' revenue generated from their mobile apps (including advertising revenue and the revenue paid in-app)
- (2) The Group's market share is calculated as the revenue generated from the proprietary app traffic monetisation business in 2018 divided by the market size of the global mobile app market in 2018.

INDUSTRY OVERVIEW

According to the iResearch Report, up to 31 December 2018, the number of global mobile games apps developers ranged from 265,500 to 290,000, and they had provided more than 3.14 million mobile apps for mobile internet users globally with a market size of US\$149.0 billion in 2018 in terms of advertising revenue and the revenue paid in-app. The market share of our Group in the global mobile games apps market in terms of advertising revenue and the revenue paid in-app in 2018 was approximately 0.002%. The following chart sets forth the rankings and market share of global mobile games apps market and our Group in terms of advertising revenue and the revenue paid in-app:

Ranking	Name of company	Market share (%)
1	Competitor D	8.0%
2	Competitor J	2.9%
3	Competitor K	1.5%
4	Competitor L	1.3%
5	Competitor M	0.9%
.....	
2600-2800	the Group	0.002%

Notes:

- (1) The ranking is based on the competing companies' revenue generated from their mobile games apps (including advertising revenue and the revenue paid in-app).
- (2) The Group's market share is calculated as the revenue generated from the mobile games apps in 2018 divided by the market size of the global mobile games apps market in 2018.

According to the iResearch Report, major competencies of games apps in the industry for medium and small sized games developers include the ability to improve user experience. The Group's apps in the Games sub-matrix are generally casual games, which are easy to operate and play, have high universality and low user threshold. With solid technology and continuous improvement of product details, the Group's games apps can deliver a smooth game experience to users. The following chart sets out rankings of Archery Champ, one of our games apps, in terms of the number of countries and regions including Spain, India and South Africa, among others, that ever achieved the best daily ranking by downloads iPhone in App Store for each indicated app category up to 31 December 2018.

INDUSTRY OVERVIEW

Highest Ranks⁽¹⁾ of Archery Champ in Downloads (iPhone App Store)

	App Category	
	Overall	Games
Number of countries and regions – top 1 reached	2	3
Number of countries and regions – top 5 reached	4	22
Number of countries and regions – top 10 reached	10	45
Number of countries and regions – top 100 reached	92	133
Number of countries and regions – top 500 reached	141	151

Note:

- (1) Highest Ranks refers to best ranking ever achieved.

According to the iResearch Report, up to 31 December 2018, the number of global mobile media & entertainment app developers ranged from 40,000 to 90,000, and they had provided more than 160,000 mobile apps for mobile internet users globally with a market size of US\$48.9 billion in 2018 in terms of advertising revenue and the revenue paid in-app. The market share of our Group in the global mobile media & entertainment apps market in terms of advertising revenue and the revenue paid in-app in 2018 was approximately 0.01%. The following chart sets forth the rankings and market share of global mobile media & entertainment apps market and our Group in terms of advertising revenue and the revenue paid in-app:

Ranking	Name of company	Market share (%)
1	Competitor G	32.3%
2	Competitor A	24.5%
3	Competitor N	10.4%
4	Competitor O	6.5%
5	Competitor D	6.4%
.....	
480-550	the Group	0.01%

Notes:

- (1) The ranking is based on the competing companies' revenue generated from their mobile media & entertainment apps (including advertising revenue and the revenue paid in-app).
- (2) The Group's market share is calculated as the revenue generated from the mobile media & entertainment apps in 2018 divided by the market size of the global mobile media & entertainment apps market in 2018.

INDUSTRY OVERVIEW

According to the iResearch Report, major competencies of media & entertainment apps in the industry include the ability to aggregate large amounts of entertainment content and provide multi-dimensional personalized services. The Group's apps in the Media & Entertainment sub-matrix aggregate a large number of entertainment content resources to provide users with an immersive entertainment experience. At the same time, these apps also enhance the personalized entertainment experience for users through features such as smart music recommendation and personalized song lists, thereby achieving stronger competitiveness.

According to the iResearch Report, up to 31 December 2018, the number of global mobile user system app developers ranged from 200,000 to 400,000, and they had provided more than 2.45 million mobile apps for mobile internet users globally with a market size of US\$21.6 billion in 2018 in terms of advertising revenue and the revenue paid in-app; the number of global mobile fitness app developers ranged from 150,000 to 200,000, and they had provided more than 400,000 mobile apps for mobile internet users globally with a market size of US\$430 million in 2018 in terms of advertising revenue and the revenue paid in-app. The markets of user system and fitness apps are highly fragmented and there are many participants without any absolute top players, therefore it is difficult to determine the industry ranking. The market share of our Group in the global market of user system apps and fitness apps in terms of advertising revenue and the revenue paid in-app in 2018 was approximately 0.015% and 0.878%, respectively (based on the Group's revenue generated from their user system/fitness apps including advertising revenue and the revenue paid in-app).

According to the iResearch Report, major competencies of fitness apps in the industry include the ability to analyze user requirements and achieve high users retention. The Group's apps in the Fitness sub-matrix classify users according to their age, gender and other characteristics, and develop customized fitness products for different groups of people in order to meet their different needs and to achieve accurate coverage of users. Through the frequent updates of fitness content, the apps can continuously meet the needs of users and achieve higher retention and loyalty of users.

According to the iResearch Report, major competencies of use system apps in the industry include the ability to meet the demand of users to improve the performance of smartphones and the apps' ability to generate revenue. The Group's apps in the User System sub-matrix such as Solo Launcher include functions such as deleting cache files, integrating search engines and aggregating news feeds and were designed to provide simpler and faster user experience to maximise user preferences. Since the launch of Solo Launcher in May 2013, the Group developed and operated various user system apps and accumulated a large amount of user data, which facilitated the precision targeting of users for specific content, which further improved the users' usage time and enhanced these apps' revenue generation potential. The following chart sets out rankings of our featured launcher app, Solo Launcher, in terms of the number of countries and regions including France, Israel, Singapore and Brazil, among others, that ever achieved the best daily ranking by downloads for each indicated app category in Google Play up to 31 December 2018.

INDUSTRY OVERVIEW

Highest Ranks⁽¹⁾ of Solo Launcher in Downloads (Google Play)

	App Category		
	Live Wallpaper (Applications)	Personalization (Applications)	Widgets (Applications)
Number of countries and regions – top 1 reached	31	89	1
Number of countries and regions – top 5 reached	101	101	67
Number of countries and regions – top 10 reached	101	101	85
Number of countries and regions – top 100 reached	103	103	101
Number of countries and regions – top 500 reached	103	103	101

Note:

- (1) Highest Ranks refers to best ranking ever achieved.

The following chart sets out rankings of another our featured app, DIY Locker, in terms of the number of countries and regions including Germany, India, New Zealand and Argentina, among others, that ever achieved the best daily ranking by downloads for each indicated app category in Google Play as at 31 December 2018.

Highest Ranks⁽¹⁾ of DIY Locker in Downloads (Google Play)

	App Category				
	Overall	Applications (Non-game)	Live Wallpaper (Applications)	Personalization (Applications)	Widgets (Applications)
Number of countries and regions – top 1 reached	0	0	0	40	0
Number of countries and regions – top 5 reached	7	7	50	59	21
Number of countries and regions – top 10 reached	19	19	58	63	34
Number of countries and regions – top 100 reached	44	49	81	83	60
Number of countries and regions – top 500 reached	59	65	103	101	96

Note:

- (1) Highest Ranks refers to best ranking ever achieved.

Competitive Landscape of China's Overseas Mobile App Market

The scale of China's overseas mobile app market in terms of advertising revenue and the revenue paid in-app amounted to US\$14.1 billion in 2018. The market share of the Group in China's overseas mobile app market in 2018 was approximately 0.096% (based on the Group's revenue generated from its mobile apps including both advertising revenue and the revenue paid in-app).

INDUSTRY OVERVIEW

GLOBAL MOBILE ADVERTISING MARKET

Overview and Scale of Global Mobile Advertising Market

According to the iResearch Report, global total media advertising spending increased from US\$528.7 billion in 2014 to US\$721.1 billion in 2018, and is expected to reach US\$998.0 billion in 2023. In 2018, global mobile advertising spending reached US\$187.9 billion, accounting for 26.1% of total advertising spending. It is estimated that the market size of mobile advertising will be approximately US\$396.1 billion by 2023, accounting for 39.7% of the total advertising market. Mobile advertising is mainly realised by apps, WAP, H5, content advertising, mobile phone system advertisements, and mobile apps are the most important form of mobile advertising. As the mobile advertising industry develops, user acquisition and monetisation demands from app developers are becoming even stronger. Additionally, the development of programmatic advertising started around 2012 and is becoming increasingly prevalent.

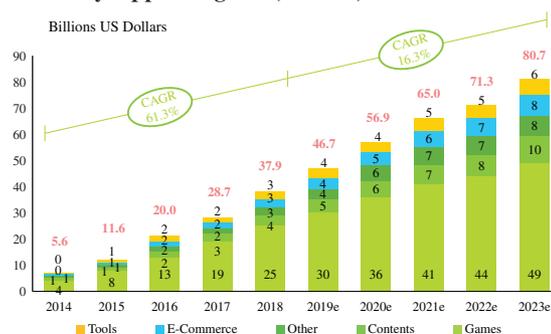
According to the iResearch Report, global programmatic mobile advertising means that the advertisers (including online and offline advertisers) deliver ads through programmatic advertising on mobile apps. The market size of global mobile programmatic advertising reached US\$60.7 billion in 2018 and is estimated to reach US\$149.2 billion in 2023. The following charts set forth the market size of global programmatic mobile advertising and the breakdown of mobile app advertising spending on programmatic advertising by app categories from 2014 to 2023:

Market Size of Global Mobile Programmatic Advertising



Note: The market size of global mobile programmatic advertising represents the scale of programmatic advertising from both online and offline advertisers delivering ads through programmatic advertising on mobile apps.

Mobile App Advertising Spending on Programmatic Advertising by App Categories, World, 2014-2023E



Note: The mobile app advertising spending on programmatic advertising represents the scale of global mobile programmatic advertising from online advertisers (mobile apps).

The CPM/CPI and eCPM/eCPI of the global programmatic mobile advertising industry are influenced by various factors, such as the advertisers' industries, geographic locations, the nature of the platforms and the quality of the media, it is difficult to calculate the global industry average as precise indicators and the industry average range of these indicators is fairly wide. For example, the charges for the advertisers of games apps are generally higher than that of the advertisers of user system apps, the charges in North America are generally

INDUSTRY OVERVIEW

higher than that in Southeast Asia, and the charges of top advertising platforms with high-quality media resources and services are relatively high. The following table sets forth the range of the global industry average of CPI and eCPI for ad networks and CPM and eCPM for ad exchanges and SSPs in 2016, 2017 and 2018:

US dollar		2016	2017	2018
Ad network	CPI	0.14-2.11	0.21-3.10	0.26-4.00
	eCPI	0.13-1.83	0.19-2.90	0.23-3.48
Ad exchange	CPM	0.25-9.32	0.36-13.80	0.48-18.00
	eCPM	0.22-7.89	0.32-11.45	0.42-15.00
SSP	CPM	0.23-8.86	0.34-13.11	0.46-17.10
	eCPM	0.21-7.50	0.30-10.91	0.40-14.25

The CPI and eCPI of the Group's ad network (SP), CPM and eCPM of the Group's SSP (SFP) in 2016, 2017 and 2018 were generally in line with the industry average while the CPM and eCPM of the Group's ad exchange (SAX) in 2018 was below the range of industry average as it was launched in May 2018 and is at an early stage of development. According to the iResearch Report, the eCPI of ad networks will continue to increase as the cost of user acquisition will increase, and the CPI will also increase as the advertisers will have stronger demands for ad formats with better effects, such as native ads and reward video ads, which allows the advertising platforms to provide more value-added services and therefore generate more revenue. The CPM and eCPM of ad exchanges and SSPs will increase as (i) the emergence of more app categories will increase the advertisers' budget and drive their demands for ad inventories with high conversion rate; (ii) advertisers will have stronger demands for ad formats with better effects and will be more inclined to cooperate with top media for user acquisition campaigns; and (iii) while more ad spaces will be created due to the emergence of more app categories, the advertisers' demand is estimated to increase at a faster rate as a large number of app developers, such as developers of games and live streaming apps, have been restraint with placing ads on their apps in order to ensure the user experience. The increase in user acquisition cost will also drive the increase of eCPM of ad exchanges and SSPs.

In the global programmatic advertising industry, the average monthly ad delivered indicates the number of advertisers' ads being delivered to users of mobile devices, therefore it can be used to evaluate the quality of media resources, server response capacity and the level of bandwidth resources of programmatic advertising service providers. The following table sets forth the average number of monthly ads delivered for the three mobile advertising platforms, namely the ad network, ad exchange and SSP, in 2016, 2017 and 2018:

(millions)	2016	2017	2018
Ad network	15-7,000	20-8,000	51-8,500
Ad exchange	/	/	200-1,000
SSP ⁽¹⁾	30-610	50-730	80-900

Note: The industry range of average number of monthly ads delivered for SSP has not excluded the overlapping data between SSPs and ad exchanges.

INDUSTRY OVERVIEW

With the launch of SP in September 2016 and SAX in May 2018, the average number of monthly ads delivered of the Group’s ad networks (SP) and ad exchanges (SAX) in 2017 and 2018 were within the industry range (as the case may be) as the Group accumulated a large publisher base through the operation of its SSP and had developed AI algorithms to improve the quality of target advertising for advertisers. The average number of monthly ads delivered of the Group’s SSP (SFP) in 2017 and 2018 were below the industry range, the Group believed it was because the Group was still a new player in the global advertising industry and it took time to build its service capacity and brand awareness in the industry, and with the launch of SP in September 2016 and SAX in May 2018, SFP’s function in the Group’s Solo Math advertising platform was redesignated to be more auxiliary and supporting to the operations of SP and SAX, which resulted in the further decrease of SFP’s average number of monthly ad delivered. For the details of the operational data of the four modules of the Group’s mobile advertising platform for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, please refer to the section headed “Business – Business Operations – Mobile Advertising Platform Services”.

According to the iResearch Report, the development of China’s mobile advertising services to overseas market started around 2013, which was slightly later than China’s mobile apps’ development overseas. The increase in the number of PRC apps in overseas markets results in the demand for acquisition of global users, thereby creating a fast-growing market for the provision of mobile advertising services by PRC mobile advertising companies. According to the iResearch Report, the total advertising expenditure in China’s mobile advertising overseas market increased from US\$2.0 billion in 2014 to US\$10.9 billion in 2018 at a CAGR of 52.8%, and is expected to reach US\$35.8 billion in 2023, growing at a CAGR of 26.9% from 2018 to 2023.

According to the iResearch Report, advertising spending by North American app developers remains the top among developers around the world, followed by PRC app developers. Additionally, mobile advertising spending in Southeast Asia is expected to grow significantly from less than US\$0.2 billion in 2014 to US\$2.29 billion in 2023. The following chart provides a breakdown of mobile advertising spending by region for the periods indicated:

Ad Spending by Mobile Apps Developers by Regions, World, 2014-2023E

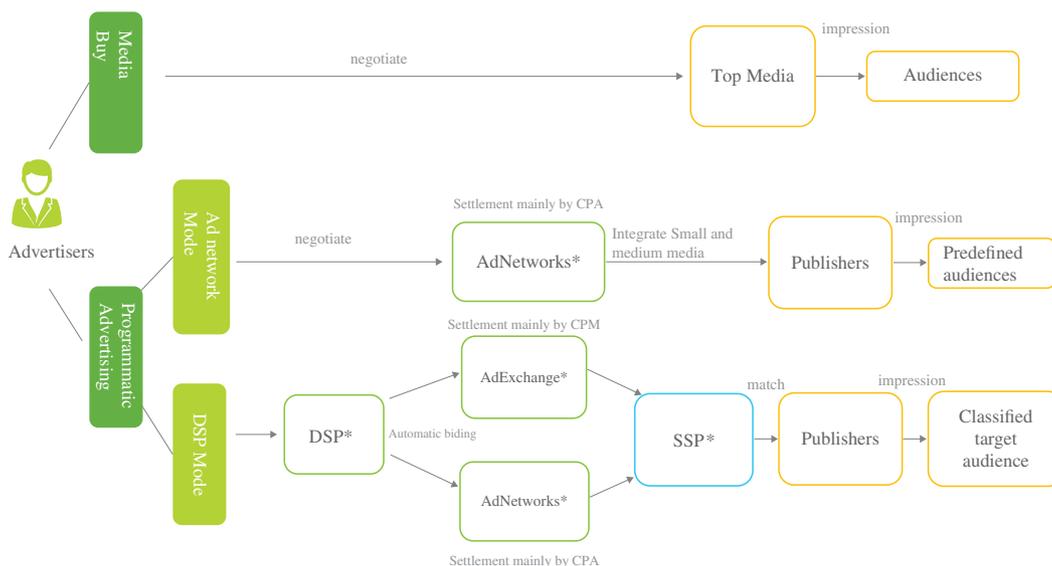


INDUSTRY OVERVIEW

The development of the China's overseas mobile advertising market has been substantially driven by the improvement of mobile internet technology, optimisation of mobile content and increase in mobile traffic. The primary characteristic of the overseas mobile advertising is that the participants include overseas components. The two business models in China's overseas mobile advertising market include (i) PRC mobile advertising companies providing services to PRC advertisers for acquisition of overseas users; and (ii) PRC mobile advertising companies providing services to overseas advertisers for acquisition of global users.

Industry Value Chain of Mobile Advertising Market

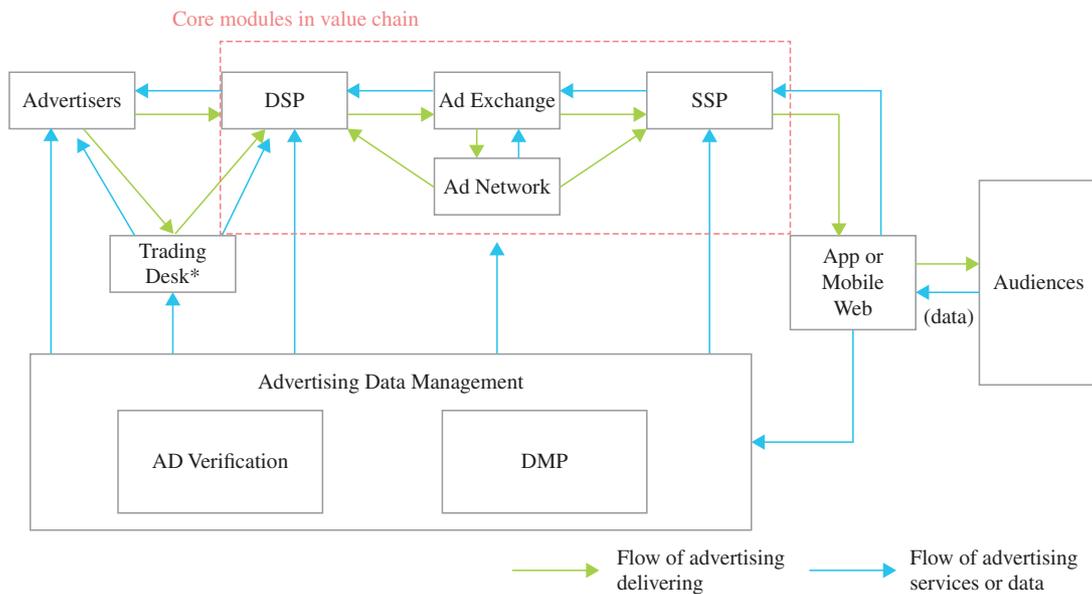
According to the iResearch Report, the key participants in the mobile advertising market are advertisers, advertising service providers, publishers and audiences. The two major patterns of China's overseas mobile advertising services are the programmatic mobile advertising service and the media buy service. Programmatic mobile advertising services are typically provided by the technology-based DSPs, SSPs, ad networks and ad exchanges which realise the ad delivery transaction in an automated way. Mobile advertising service provider also help advertisers purchase ad inventories in the media buy approach across multiple top publishers and initiate ad campaigns. The following chart illustrates the two major patterns of the mobile advertising services provided by PRC mobile advertising companies:



Note: Provided by PRC mobile advertising services providers.

INDUSTRY OVERVIEW

According to the iResearch Report, media buy service, as an intermediary service model, has a relatively low entry barrier as the top publishers monetise their ad inventories either non-programmatically or by connecting their API to the ad campaign systems of the advertisers. Programmatic advertising features the automated buying and selling of ad inventories. The core players of programmatic mobile advertising include the DSP, SSP, ad networks and ad exchanges. The following diagram sets forth the core players of programmatic mobile advertising:



Note: Trading desk usually integrates several DSPs to provide services for offline advertisers.

In the early development stage of the mobile advertising industry, programmatic advertising was restricted by technical reasons, such as unformed OpenRTB protocol, long response time on platforms and unsatisfactory server capacity. With the development of technology, programmatic advertising developed rapidly and it can improve the efficiency and performance of ad inventory transactions. Further, programmatic platforms can collect user data through SDK or API connection. With the data analytical technologies and regular adjustment on ad verification platform, programmatic advertising can monitor ad deliveries and reduce click fraud to protect the brands of the advertisers. Real-Time Bidding (RTB) is one of the core functions of programmatic advertising. The three main characteristics of RTB are media resource integration, real-time bidding and reaching classified target audience. Advertisers with the highest bid could buy the desired ad space and publishers could look for the highest market price for their ad inventories. Through automated trading of ad inventories at scale across a broad range of media resources, advertisers can bid for compatible ad spaces at reasonable costs. Programmatic advertising is realised via the RTB mechanism which allows the buying and selling of ad spaces online by real-time auctions that occur in milliseconds. RTB allows for targeting advertising, serving ads to users directly based on their demographic, psychographic, or behavioural attributes. It is expected that the proportion of programmatic advertising will still increase in the future.

INDUSTRY OVERVIEW

Key Drivers

According to the iResearch Report, the global and China's overseas mobile advertising markets have the following key drivers:

- *Advanced development of the mobile internet.* The number of Wi-Fi-hotspots and 4G connected devices per capita worldwide has increased significantly in recent years. Meanwhile, there is a rising scale and penetration of global smartphone users. This indicates that the global mobile Internet market is developing continuously and provide infrastructure foundations for global mobile advertising.
- *Opportunities in global market.* The steadily rising GDP of emerging economies and significant per capita income release labor force and promote global users' demand for internet, which deepens the driving force of companies to expand business globally. These enterprises often rely on mobile advertising to acquire users and promote brands globally, and this demand from advertisers is a significant driver for mobile advertising.
- *Maximising the efficiency of advertising for advertisers.* Due to increasing user acquisition cost, advertisers need more effective mobile advertising solutions within planned budgets. A key advantage of mobile advertising platform for advertisers is to deliver impressions to classified target audiences within milliseconds which maximises the efficiency of advertising. In addition, it is a flexible and relative transparent process with personalised customisation, which allows advertisers to set price directly and assess advertising performance. With the data encryption function and periodical adjustment on ad verification platforms, mobile advertising has the ability of preventing cheating to satisfy brand protection demand of advertisers.
- *Maximising monetisation ability for publishers.* With the blooming of mobile apps, mobile advertising maximises the business monetisation ability for global publishers. It is more feasible to collect and analyse users' information including interests tag, geography tags based on integrated huge data by deploying API or SDK on mobile apps.
- *Strong policy support in the PRC.* Pursuant to The Opinions of the State Council on Promoting the Development of "Internet plus" (《關於積極推進“互聯網+”行動的指導意見》), the PRC government encourages certain internet companies to integrate domestic and overseas resources, to expand overseas user base and to provide products and services, such as cloud service and data-analysing service accommodating to the local culture of different markets worldwide. In addition, the PRC government supports industry associations and trade unions, together with the internet companies, to promote the implementation of PRC internet technologies and

INDUSTRY OVERVIEW

and PRC internet standards, thereby leading the globalisation of domestic products and services. While specific supportive measures are yet to be promulgated by the PRC government, the high-level and clear policy support is expected to be a key driver going forward.

- *Increasing Traffic Cost.* Due to increasing traffic and user acquisition cost in the PRC, PRC app developers have developed overseas development and expansion strategies and will allocate advertising budgets to overseas markets in which the internet users are growing rapidly.
- *Higher marketing efficiency for mobile advertising.* Compared with traditional advertising, mobile advertising allows advertisers to monitor the performance of ad deliveries more easily and provides various pricing models, which can improve the flexibility and efficiency of advertising and marketing. Mobile advertising enables participants to collect more user behavior information and to customise the mobile ads and ad delivery strategies through the analysis of user data, thus achieving precision marketing through better user profiling.

Barriers to Entry

According to the iResearch Report, the barriers to entry for the global and China's overseas mobile advertising markets include:

- *Technology barriers.* Data accumulation and AI capabilities are important for mobile advertising service providers to provide marketing strategies, analyse and deliver ads efficiently and effectively.
- *Capital barriers.* New entrants of the market need capital for the establishment of local teams and branches, server operation and maintenance and the development of AI capabilities.
- *Culture barriers.* PRC mobile advertising service providers need to understand local cultures, adjust ad content and to communicate with local developers for business cooperation in order to compete with top global and local mobile advertising service providers overseas.

Future Trends

According to the iResearch Report, future trends for global and China's overseas mobile advertising markets include:

- *A synergetic business model.* More and more mobile internet companies which have their own product matrix and marketing platform services are expected to emerge. This complementary strategy can integrate the data from mobile apps and mobile advertising services, help optimise and calibrate the algorithm models, further enhance the grasp of high-quality traffic and improve the mobile advertising services.
- *Increase in programmatic advertising.* Mobile advertising service providers will continue to increase their investment in products, technologies and data to develop their programmatic advertising platforms.
- *Reliance on big data and AI technologies.* The requirements on mobile advertising service providers' data collection and analytic capabilities will be higher. The publishers will have data with larger amount, richer dimension, and finer granularity. The value of such data will be further explored and utilised.

AI Application in Mobile Advertising

According to the iResearch Report, in mobile advertising, advertisers can only afford a certain number of ad auction requests. In order to increase the volume of advertising transactions and the revenue of advertisers, it is necessary to train and learn the ad delivery techniques by machine learning algorithm to gain insight into the characteristics of different users, and to analyse the needs of potential purchasing users, so as to determine which auction requests are more suitable for the advertisers. Through the application of AI technologies, when the number of advertisement auction requests stays unchanged, the profit of advertisers can be three to six times higher than that of the initial revenue, and the cost of server construction for purchasing users can be reduced.

INDUSTRY OVERVIEW

Competitive Landscape of Global Mobile Advertising Market

The market size of the global programmatic mobile advertising market reached approximately US\$60.7 billion in 2018. According to the iResearch Report, the number of global mobile programmatic advertising service providers amounted to approximately 5,000 in 2018. The top one (a top internet and technology company) and top two (a leading social networking platform) player in the global programmatic mobile advertising market accounted for approximately 28.2% and 5.9% of the total market share in terms of revenue in 2018, respectively. The market share of our Group in the global programmatic mobile advertising market in terms of revenue in 2018 was approximately 0.04% (calculated as the Group's revenue generated from programmatic mobile advertising and related business in 2018 which amounted to RMB172.8 million, divided by the market size of the global programmatic mobile advertising market in 2018).

Competitive Landscape of China's Overseas Mobile Advertising Market

The market size of China's overseas programmatic mobile advertising reached approximately US\$0.32 billion in 2018, and the market share of our Group in the China's overseas programmatic mobile advertising market in terms of revenue in 2018 was approximately 7.99% (calculated as the Group's revenue generated from programmatic mobile advertising and related business in 2018 divided by the market size of the China's overseas programmatic mobile advertising market in 2018). The following chart sets forth the market share of major PRC mobile advertising companies focussing on providing mobile marketing services in overseas market and our Group in terms of revenue in 2018:

Company	Market share
Player A	46.98%
Player D	19.05%
Player C	11.90%
the Group	7.99%
Player E	5.90%
Player B	4.10%

INDUSTRY OVERVIEW

According to the iResearch Report, the companies own both proprietary product matrices and mobile advertising platforms can realise multi-dimensional layout in its own media resources and multi-platform construction. Such business model can connect the massive data sources accumulated by the mobile apps with the mobile advertising platform, and deepen the value of data by AI technologies to improve the monetisation efficiency of mobile apps and achieve precision targeting. Additionally, the multi-platform system also helps to achieve synergy effects that help to enhance the profitability of its own business model and the companies can be less dependent on other platforms. The following chart sets forth the layout overview of the business lines of PRC mobile advertising companies focussing on providing mobile marketing services in overseas market up to the Latest Practicable Date:

Company	Ad network	DSP	Ad exchange	SSP	App matrix
the Group	✓	✓	✓	✓	✓
Player A	✓	✓	✓	✓	
Player B	✓	✓	✓		
Player C	✓	✓			
Player D	✓	✓	✓		
Player E	✓	✓			

Note: The players in industry are selected by the following criteria: (i) headquarter is based in China ; (ii) main business is to provide mobile advertising services in overseas market; (iii) has proprietary programmatic mobile advertising platforms such as ad network, DSP, ad exchange and SSP.

According to the iResearch Report, as the connections with the publishers are through technical interfaces such as SDK, API and JavaScript, it sets a technology barrier for the mobile advertising service providers. Such technology barrier, including more reliable and available types of technical interfaces provided by mobile advertising service providers among others, lead to preference of cooperation from media, and larger amount of accumulated media resources accordingly. It is an important ability to integrate the traffic of publishers for a mobile advertising service provider in overseas market. The following chart sets forth the number of penetrated publishers connected to the mobile advertising platforms of PRC mobile advertising companies focussing on providing overseas mobile marketing services in 2018:

Company	Penetrated media (thousand)	Note
the Group	700+	Ad exchange
Player C	450+	DSP
Player B	350+	Ad network
Player A	350+	Ad network
Player D	200+	Ad network
Player E	100+	Ad network

Note: The businesses include ad network, DSP, ad exchange, and SSP, and does not include media buy. Media refers to penetrated apps and mobile web covered by one of the proprietary platform excluding overlapping apps in 2018, the number disclosed is the highest amongst all proprietary platforms of a company and the Group data was provided by our Group based on the performance of our ad exchange in December 2018.

INDUSTRY OVERVIEW

According to the iResearch Report, top mobile apps (as advertisers) typically contribute to a large amount of advertising budget. One of the core competencies of mobile advertising service providers is the ability to reach and serve global top mobile apps. For the global top 100 advertisers in terms of global advertising spending in 2018, our Group provided mobile marketing services to 87 of them. The following chart sets forth the proportion of advertisers in global top 50 companies in terms of app downloads/paid revenues in 2018 for which the PRC mobile advertising companies focussing on providing overseas mobile marketing services provided services:

Company	Coverage of advertisers in top 50 global companies by number of downloads	Coverage of advertisers in top 50 global companies by number of revenue
the Group	37	38
Player B	35	21
Player D	28	35
Player A	15	22
Player C	12	13
Player E	7	9

Note: The businesses include ad network, DSP, ad exchange, and SSP, and does not include media buy. The advertisers refer to penetrated served advertisers by company in 2018. Global top 50 companies are ranked by downloads or revenue of its apps matrix in 2018.

REGULATORY OVERVIEW

The principal objective of this summary is to provide potential investors with an overview of the key laws and regulations applicable to us. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to the business and operations of our Group and/or which may be important to potential investors. Investors should note that the following summary is based on laws and regulations in force as at the date of this prospectus, which may be subject to change.

LAWS AND REGULATIONS IN THE PRC

The following is a brief summary of the laws and regulations in the PRC that currently materially affect our Group and our operations.

Regulations on Company Establishment and Foreign Investment

The establishment, operation and management of companies in China is governed by the PRC Company Law (《中華人民共和國公司法》), as promulgated by the Standing Committee of National People's Congress on 29 December 1993 and effective on 1 July 1994, as and subsequently amended on 25 December 1999, 28 August 2004, in 27 October 2005, 28 December 2013 and 26 October 2018. According to the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The PRC Company Law applies to both PRC domestic companies and foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall prevail.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), as promulgated on 12 April 1986 and amended on 31 October 2000, 3 September 2016, and the Implementation Regulation of the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法實施細則》), as promulgated on 28 October 1990, amended on 12 April 2001 and 19 February 2014. On 3 September 2016, the National People's Congress Standing Committee published the Decision on Revising Four Laws including the Wholly Foreign-owned Enterprise Law of the People's Republic of China (《全國人民代表大會常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定》), which changes the previous "filing or approval" procedure for foreign investments in China. Except for the industries listed in the Special Administrative Measure (Negative List) for Foreign Investment Access (2019 version) (《外商投資准入特別管理措施(負面清單)(2019年版)》) which came into effect on 30 July 2019 and repealed the negative lists under the Guidance Catalogue of Industries for Foreign Investment (Revised in 2018), or the Catalogue, effective on 28 July 2018, foreign investments in business sectors are therefore no longer subject to special administrative measures that require application for approval, instead, only a filing is required. Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by MOFCOM on 8 October 2016, and amended on 30 July 2017, and 29 June 2018 establishment and changes of foreign invested enterprises not involving the

REGULATORY OVERVIEW

implementation of special access administrative measures prescribed by the state shall be filed with the relevant commerce authorities. Additionally, the registration for a PRC Company's establishment, modification, and termination shall comply with the provision of Regulation of the People's Republic of China on the Administration of Company Registration (《中華人民共和國公司登記管理條例》) which was promulgated on 24 June 1994 and amended on 18 December 2005, 19 February 2014 and 6 February 2016.

Investment activities in the PRC by foreign investors are mainly governed by the Guidance Catalogue of Industries for Foreign Investment (revised in 2017) (《外商投資產業指導目錄 (2017年修訂)》) (the “**Catalogue**”), which was promulgated jointly by the MOFCOM and the National Development and Reform Commission (the “**NDRC**”) on 28 June 2017 and became effective on 28 July 2017. The Catalogue divides industries into four categories in terms of foreign investment. Those categories are: “encouraged”, “restricted”, “prohibited” and all industries not listed under one of these categories are deemed to be “permitted”. The restricted and prohibited foreign-invested industries which are subject to the special administrative measures for access of foreign investment are collectively the “Negative List”. The Negative List was replaced by the Special Administrative Measures on Access of Foreign Investment (Negative List) (2019 Edition) (《外商投資准入特別管理措施(負面清單) (2019年版)》) (the “**Special Administrative Measures**”). The purpose of these regulations is to direct foreign investment into certain priority industry sectors and restrict or prohibit them from entering into other sectors. If the investment falls within the industry sector which belongs to the encouraged category, such foreign investment can be conducted through a wholly foreign-owned enterprise, or a joint venture enterprise with any shareholding percentage requirement. If the investment falls within a permitted category, such investment may be conducted through a wholly foreign-owned enterprise, provided certain requirements are met. However, if the investment falls within a restricted category, in some cases, the establishment of a joint venture enterprise will be required with a minimum shareholding requirement for the Chinese party, varying according to the industries. If the attempted foreign investment falls within a prohibited category, foreign investment of any kind is not allowed. Any industry not falling into any of the encouraged, restricted or prohibited categories is classified as a permitted industry for foreign investment.

Regulations Relating to Value-Added Telecommunication Services

Licences for Value-Added Telecommunication Services

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”), promulgated by the State Council on 25 September 2000 and last amended on 6 February 2016, provide a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations require telecommunications services providers to obtain an operating licence prior to the commencement of their operations. The Telecommunications Regulations categorise telecommunications services into basic telecommunications services and value-added telecommunications services. According to the Catalogue of Telecommunications Business

REGULATORY OVERVIEW

(《電信業務分類目錄》), attached to the Telecommunications Regulations and last amended by the MIIT on 6 June 2019, information services provided via fixed network, mobile network and internet fall within value-added telecommunications services.

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the “**Internet Measures**”), which was promulgated by the State Council on 25 September 2000 and amended on 8 January 2011, set out guidelines on the provision of internet information services. The Internet Measures classified internet information services into commercial internet information services and non-commercial internet information services, and a commercial operator of internet content provision services must obtain a Value-added Telecommunications Services Operating Licences (“**ICP Licence**”) for the provision of internet information services from the appropriate telecommunications authorities. The Administrative Measures for Telecommunications Businesses Operating Licensing (《電信業務經營許可管理辦法》), which was promulgated by the MIIT on 3 July 2017 and became effective on 1 September 2017, provides that a commercial operator of value-added telecommunications services must first obtain an ICP Licence, from the MIIT or its provincial level counterparts. In addition, in the first quarter of every year while the operator is holding the licence, it must report information such as business performance and service quality to the issuing authorities.

Restrictions on Foreign Investment

Foreign direct investment in telecommunications companies in China is governed by the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (revised in 2016) (《外商投資電信企業管理規定(2016年修訂)》), which was promulgated by the State Council on 11 December 2001 and amended on 10 September 2008 and 6 February 2016. The regulations require foreign-invested value-added telecommunications enterprises in China to be established as Sino-foreign equity joint ventures, which the foreign investors may acquire up to 50% of the equity interests of such enterprise. In addition, the main foreign investor who invests in a foreign-invested value-added telecommunications enterprises operating the value-added telecommunications business in China must demonstrate a good track record and experience in operating a value-added telecommunications business; the main foreign investor is defined as the one who makes the largest contribution among all foreign investors and has a share of 30% or more of the total amount invested by all foreign investors. Moreover, foreign investors that meet these requirements must obtain approvals from the MIIT and the MOFCOM, or their authorised local counterparts, which retain considerable discretion in granting approvals, for the commencement of that investor of value-added telecommunication business in China.

In July 2006, the Ministry of Information Industry of the PRC (the “**MIIT**”, which is the predecessor of MIIT) released the Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) (the “**MIIT Notice**”), pursuant to which, domestic telecommunications enterprises were prohibited to rent, transfer or sell a telecommunications business operation licence to foreign investors in any form, or provide any

REGULATORY OVERVIEW

resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications business in China. In addition, under the MII Notice, the internet domain names and registered trademarks used by a foreign-invested value-added telecommunication service operator shall be legally owned by that operator (or its shareholders).

According to the Negative List, the internet information services that the Company's PRC subsidiaries currently offer falls within the scope of value-added telecommunications services (except for e-commerce), which is under the "restricted" categories.

We currently hold two ICP Licences issued respectively Beijing Communications Administration, the branch of MIIT on 13 March 2019, and by Beijing Communications Administration, the branch of MIIT, on 23 October 2017.

Regulations Relating to Information Security and Censorship

Internet content in China is regulated and restricted from a state security standpoint. The Standing Committee of the National People's Congress ("SCNPC") enacted the Decisions on the Maintenance of Internet Security (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) on 28 December 2000, which was amended on 27 August 2009, that may subject persons to criminal liabilities in China for any attempt to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe intellectual property rights. In 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), which were amended by the State Council on 8 January 2011 and prohibit using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilising content. The Ministry of Public Security has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an ICP Licence holder violates these measures, the PRC government may revoke its ICP Licence and shut down its websites.

On 7 November 2016, the SCNPC promulgated the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》), which became effective on 1 June 2017, pursuant to which, network operators shall comply with laws and regulations and fulfil their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and network operators of key information infrastructure shall store within the territory of the PRC all the personal information and important data collected and produced within the territory of PRC. The

REGULATORY OVERVIEW

purchase of network products and services that may affect national security shall be subject to national cyber security review. On 2 May 2017, the CAC issued a trial version of the Measures for the Security Review of Network Products and Services (Trial) (《網絡產品和服務安全審查辦法(試行)》), which took effect on 1 June 2017, to provide for more detailed rules regarding cyber security review requirements.

Regulations Relating to Privacy Protection

On 13 December 2005, the Ministry of Public Security issued the Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》) (the “**Internet Protection Measures**”) which took effect on 1 March 2006. The Internet Protection Measures require internet service providers to take proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, and detect illegal information, stop transmission of such information, and keep relevant records. In December 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》) to enhance the legal protection of information security and privacy on the Internet. In July 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) to regulate the collection and use of users’ personal information in the provision of telecommunication services and Internet information services in China and the personal information includes a user’s name, birth date, identification card number, address, phone number, account name, password and other information that can be used for identifying a user. On 29 December 2011, the MIIT promulgated the Several Provisions on Regulation of the Order of Internet Information Service Market (《規範互聯網信息服務市場秩序若干規定》), which became effective on 15 March 2012. The Provisions stipulate that without the consent of users, internet information service providers shall not collect information relevant to the users that can lead to the recognition of the identity of the users independently or in combination with other information, nor shall they provide personal information of users to others, unless otherwise provided by laws and administrative regulations. On 8 May 2017, the Supreme People’s Court and the Supreme People’s Procuratorate released the Interpretations of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens’ Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which clarifies several concepts regarding the crime of “infringement of citizens’ personal information” stipulated by Article 253A of the Criminal Law of the People’s Republic of China (《中華人民共和國刑法》), including “citizen’s personal information”, “provision”, and “unlawful acquisition”. Also, it specifies the standards for determining “serious circumstances” and “particularly serious circumstances” of this crime.

REGULATORY OVERVIEW

Regulations on Advertising Business

The Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), promulgated by the Standing Committee of the National People's Congress on 27 October 1994 and amended on 24 April 2015 and 26 October 2018. This law regulates contents of advertisements, codes of conduct for advertising, and the supervision and administration of advertising industry. It also stipulates that advertisers, advertising operators, and advertisement publishers shall abide by the Advertising Law and other laws and regulations, be honest and trustworthy, and compete in a fair manner in advertising business. According to the Advertising Law, advertising operators and advertisement publishers shall examine the relevant certification documents and verify the contents of advertisements in accordance with laws and regulations. According the Advertising Law, if advertising operators know or should have known the content of the advertisements is false or deceptive but still provide advertising design, production and agency services in connection with the advertisements, they might be subject to penalties, including confiscation of revenue and fines, and the competent PRC authority may suspend or revoke their business licences.

On 4 July 2016, the State Administration for Industry and Commerce promulgated the Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》), or Interim Measures on Internet Advertising to regulate advertising activities conducted via the internet. According to the Interim Measures on Internet Advertising, advertisements published or distributed via the internet shall not interfere with users' normal use of the internet. For example, advertisements published on web page pop-up windows or in others forms shall be clearly marked with a "close" sign to ensure a "Click to Close." No entity or individual may induce users to click on the contents of an advertisement through deception. An internet advertisement publisher or advertising operator, shall establish and maintain an acceptable registration, examination and file management system for its advertisers; examine, verify and record the identity information of each advertiser. The Interim Measures on Internet Advertising also require internet advertisement publishers and advertising operators to verify related supporting documents, check the contents of the advertisement and prohibits them from designing, producing, providing services or publishing any advertisement if the content and the supporting documents do not match each other or the documentary evidence thereof are insufficient.

Regulations Relating to Intellectual Property

The Copyright Law

China has enacted various laws and regulations relating to the protection of copyright. China is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October, 1992, the Universal Copyright Convention in October, 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organisation in December 2001.

REGULATORY OVERVIEW

The Copyright Law of the PRC (Revised in 2010) (《中華人民共和國著作權法》(2010年修訂)) (the “**Copyright Law**”) provides that Chinese citizens, legal persons, or other organisations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the Copyright Law aims to encourage the creation and dissemination of works which is beneficial for the construction of socialist spiritual civilisation and material civilisation and promote the development and prosperity of Chinese culture.

Under the Regulation on Protection of the Right to Network Dissemination of Information (《信息網絡傳播權保護條例》) that took effect on 1 July 2006 and was amended on 30 January 2013, it is further provided that an internet information service provider may be held liable under various situations, including if it knows or should reasonably have known a copyright infringement through the internet and the service provider fails to take measures to remove or block or disconnects links to the relevant content, or, although not aware of the infringement, the internet information service provider fails to take such measures upon receipt of the copyright holder’s notice of infringement.

Measures on Administrative Protection of Internet Copyright (《互聯網著作權行政保護辦法》), that were promulgated by the MII and NCA and took effect on 30 May 2005, provided that an internet information service provider shall take measures to remove the relevant contents, record relevant information after receiving the notice from the copyright owner that some content communicated through internet infringes upon his/its copyright and preserve the copyright owner’s notice for 6 months. Where an internet information service provider clearly knows an internet content provider’s tortious act of infringing upon another’s copyright through Internet, or fails to take measures to remove relevant contents after receipt of the copyright owner’s notice although it does not know it clearly, and meanwhile damages public benefits, the infringer shall be ordered to stop the tortious act, and may be imposed of confiscation of the illegal proceeds and a fine of not more than 3 times the illegal business amount; if the illegal business amount is difficult to be calculated, a fine of not more than RMB100,000 may be imposed.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》), promulgated by the National Copyright Administration on 20 February 2002, regulate registrations of software copyright, exclusive licencing contracts for software copyright and transfer contracts. The National Copyright Administration of China shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Centre of China, is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (Revised in 2013) (《計算機軟件保護條例》(2013年修訂)).

REGULATORY OVERVIEW

The Trademark Law

Trademarks are protected by the Trademark Law of the PRC (Revised in 2013) (《中華人民共和國商標法》(2013 年修訂)) which was promulgated on 23 August 1982 and subsequently amended on 22 February 1993, 27 October 2001 and 30 August 2013 respectively as well as the Implementation Regulation of the PRC Trademark Law adopted by the State Council on 3 August 2002 (Revised in 2014) (《中華人民共和國商標法實施條例》(2014 年修訂)). In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office under the State Administration for Industry and Commerce (“SAIC”), handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within six months prior to the expiration of the term. A trademark registrant may licence its registered trademark to another party by entering into a trademark licence contract. Trademark licence agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As for trademarks, the PRC Trademark Law has adopted a “first come, first file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

Domain Names

Internet domain name registration and related matters are primarily regulated by CNNIC Implementing Rules of Domain Name Registration (《中國互聯網絡信息中心域名註冊實施細則》) issued by China Internet Network Information Centre, the domain name registrar of the PRC, which became effective on 29 May 2012, the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), issued by MIIT on 24 August 2017 and effective as of 1 November 2017, and the China Internet Measures on Domain Name Disputes Resolution (《中國互聯網絡信息中心域名爭議解決辦法》) issued by CNNIC which became effective on 1 September 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.

REGULATORY OVERVIEW

Patent Law

According to the Patent Law of the PRC (《中華人民共和國專利法》) amended on 27 December 2008 and the Detailed Rule for the Implementation of Patent Law amended on 9 January 2010 (《中華人民共和國專利法實施細則》), patent is divided into three categories: invention patent, utility model patent, and design patent.

Invention patent is intended to protect new technical solution for a product. The applicant for invention patent must prove that the subject matter product possesses novelty, creativity and practical applicability. The grant of invention patent is subject to disclosure and publication. Normally, the patent administrative authority publishes the application within 18 months after it is filed and if it meets the requirements of this Law in its preliminary review, which may be shortened upon request by the applicant. The patent administrative authority conducts a substantive review within three years from the date the application is filed. The term of protection is 20 years from the date of application. Once the invention patent right is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, offering for sale, sale or import of the patented product, or use the patented method or otherwise engage in the use, offering for sale, sale or import of the product directly derived from applying the patented method, without the licencing of the patent holder.

Utility model patent is intended to protect new technical solution in relation to a product's shape, structure or a combination thereof, which is fit for practical use. The applicant for utility model patent must prove that the subject matter product possesses novelty, creativity and practical applicability. Utility patent is granted and registered upon application unless there are reasons for the patent administrative authority to reject the application after its preliminary review. The utility model patent is subject to the disclosure and publication upon application. The term of protection is 10 years from the date of application. Once the utility patent right is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, offering for sale, sale or import of the patented product, or use the patented method or otherwise engage in use, offering for sale, sale or import of the product directly derived from applying the patented method, without the licencing of the patent holder.

Design patent is intended to protect new design of a product's shape, pattern or a combination thereof as well as its combination with the colour and the shape or pattern of a product, which creates an aesthetic feeling and is fit for industrial application. The applicant for design patent protection must prove that the subject that for matter product is not identical to a prior design. The application procedure and term of protection is the same as that for utility patent. Once a design patent is granted, no individuals or entities are permitted to engage in the manufacture, offering for sale, sale or import of the product protected by such design patent, without the licencing of the patent holder.

REGULATORY OVERVIEW

Regulations Relating to Foreign Exchange

General Administration of Foreign Exchange

Under the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》), promulgated on 29 January 1996 and amended on 5 August 2008, and various regulations issued by the SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local office. Payments for transactions that take place within the PRC must be made in Renminbi. Unless otherwise required by SAFE, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant rules and regulations of the PRC.

Pursuant to the Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the “**SAFE Notice No. 59**”) promulgated by SAFE on 19 November 2012, that became effective on 17 December 2012 and was further amended on 4 May 2015, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment. SAFE Notice No. 59 also simplified the capital verification and confirmation formalities for foreign invested entities, the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire equities from Chinese party, and further improved the administration on exchange settlement of foreign exchange capital of foreign invested entities.

On 4 July 2014, SAFE promulgated the Notice on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicle (《國家外匯管理局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 “**SAFE Notice No. 37**”), effective as of 4 July 2014. Under SAFE Notice No. 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

REGULATORY OVERVIEW

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 Notice of SAFE on Further Simplifying and Improving the Direct Investment related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Notice No. 13, which was promulgated on 13 February 2015 and became effective on 1 June 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with SAFE Notice No. 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

The Notice of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局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 “**SAFE Notice No. 19**”) was promulgated on 30 March 2015 and became effective on 1 June 2015. According to the SAFE Notice No. 19, a foreign-invested enterprise may, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding Account for Foreign Exchange Settlement Pending Payment with the foreign exchange bureau (bank) at the place of registration. The Notice of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**SAFE Notice No. 16**”) was promulgated and became effective on 9 June 2016. According to the SAFE Notice No. 16, enterprises registered in PRC may also convert their foreign debts from foreign currency into Renminbi on self-discretionary basis. The SAFE Notice No. 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 self-discretionary basis, which applies to all enterprises registered in the PRC. The SAFE Notice No. 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 and may not be used for investments in securities or other investment with the exception of bank financial products that can guarantee the principal within the PRC unless otherwise specifically provided. Besides, the converted Renminbi shall not be used to make loans for unrelated enterprises unless it is within the business scope or to build or to purchase any real estate that is not for the enterprise own use with the exception for the real estate enterprise.

REGULATORY OVERVIEW

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the “**Stock Option Rules**”), individuals participating in any stock incentive plan of any overseas publicly listed company who are PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year, subject to a few exceptions are required to register with SAFE or its local branches and complete certain other procedures through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents’ exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. Under the Circular of the State Administration of Taxation on Issues Concerning Individual Income Tax in Relation to Equity Incentives (《國家稅務總局關於股權激勵有關個人所得稅問題的通知》) promulgated by the SAT and effective from 24 August 2009, listed companies and their domestic organisations shall, according to the individual income tax calculation methods for “wage and salary income” and stock option income, lawfully withhold and pay individual income tax on such income.

On 26 January 2017, SAFE issued the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《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》) (“**SAFE 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 the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilisation arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

REGULATORY OVERVIEW

Regulations Relating to 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》), as amended in 2005, 2013 and 2018, the Wholly Foreign Owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) and its Implementing Rules, the Equity Joint Venture Law of the PRC (《中華人民共和國中外合資經營企業法》) promulgated in 1979 and 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》) promulgated in 1988 and last amended in 2017 and its implementation regulations promulgated in 1995 and 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 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. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations Relating to Employment and Social Warfare

The Labour Contract Law

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “**Labour Contract Law**”), which was implemented on 1 January 2008 and amended on 28 December 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labour contracts. Pursuant to the Labour Contract Law, labour contracts shall be concluded in writing if labour relationships are to be or have been established between enterprises or institutions and the labourers. Enterprises and institutions are forbidden to force labourers to work beyond the time limit and employers shall pay labourers for overtime work in accordance with national regulations. In addition, labour wages shall not be lower than local standards on minimum wages and shall be paid to labourers in a timely manner. In addition, according to the Labour Contract Law: (i) employers must pay labourers double income in circumstances where within one year an employer fails to enter into an employment contract that is more than a month but less than a year from the date of employment and if such period exceeds one year, the parties are deemed to have entered into a labour contract with an “unfixed term”; (ii) employees who fulfil certain criteria, including having worked for the same employer continuously for ten years or more, may demand that the employer execute a labour contract with them with an unfixed term; (iii) employees must adhere to regulations in the labour contracts concerning commercial confidentiality and non-competition; (iv) if an employer pays for an employee professional training, the labour contract may specify a term of service, but an upper limit not exceeding the cost of training supplied to the employee has been set as the amount of compensation an employer may seek for an employee’s breach of the provisions concerning

REGULATORY OVERVIEW

term of services in the labour contract; (v) employees may terminate their employment contracts with their employers if their employers fail to make social insurance contributions in accordance with the law; (vi) employers who demand money or property from employees as guarantee or otherwise may be subject to a fine of more than RMB500 but less than RMB2,000 per employee; and (vii) employers who intentionally deprive employees of any part of their salary must, in addition to their full salary, pay such employees compensation ranging from 50% to 100% of the amount of salary so deprived if they fail to pay the salary deprived within ascertain period by the labour administration authorities.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labour Injury (《工傷保險條例》) implemented on 1 January 2004 and 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 1 January 1995, the Decisions on the Establishment of a Unified Programme 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 16 July 1997, the Decisions on the Establishment of the Medical Insurance Programme 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 14 December 1998, The Unemployment Insurance Measures (《失業保險條例》) promulgated on 22 January 1999, the Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) implemented on 22 January 1999 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on 1 July 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labour 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.

LAWS AND REGULATIONS IN HONG KONG

Employment Related Laws and Regulations in Hong Kong

Mandatory Provident Fund Schemes (“MPF Schemes”)

The MPF Schemes are defined contribution retirement scheme managed by authorised independent trustees.

Employers are required to perform duties relating to the MPF Schemes in accordance with the requirements under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) and the Mandatory Provident Fund Schemes (General) Regulation (Cap. 485A of the Laws of Hong Kong) (collectively the “MPFSO”). This involves employers handling various MPF matters for their employees after a company has been established, when staff members commence employment, and throughout the course of an employee’s employment with our Company until his/her departure. Employers and their employees are both required to contribute 5% of the employee’s monthly relevant income as mandatory

REGULATORY OVERVIEW

contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. An employer must select a trustee that has been approved by the Mandatory Provident Fund Schemes Authority (the “MPFA”) as a trustee of its MPF Scheme.

Unless an employee is exempted from this requirement under the MPFSO, an employer is required to enrol a new employee within the first 60 days of employment. Both regular and casual employees (including part-time employees, who are employed for a period of 60 days or more) should be enrolled in the employer selected MPF Scheme(s).

An employer will commit an offence if it fails to enrol its employees in the selected MPF Scheme by the specified statutory deadline, and the employer may be subject to a maximum penalty of HK\$350,000 and imprisonment for three years, and to daily penalty of HK\$500 for continuing offences. If an employer does not pay contributions or fail to pay contributions on time, the MPFA may file civil actions to recover contributions in arrears, and also initiate criminal prosecution against non-complying employers. Upon conviction, offenders are liable to a maximum penalty of HK\$450,000 and imprisonment for four years, and an extra daily fine of up to HK\$700. If the employer fails to comply with a court order to pay the contributions in arrears or the surcharge within 14 days of a payment deadline, the offender is liable to a maximum penalty of HK\$350,000 and imprisonment for three years upon conviction, and an extra daily fine of up to HK\$500. A further financial penalty of HK\$5,000 or 10% of the defaulting amount, whichever is greater, is payable by the offender.

Employment Ordinance (Cap. 57 of the Laws of Hong Kong) (“EO”)

The EO provides for, amongst other things, the protection of the wages of employees, to regulate general conditions of employment, and for matters connected therewith. Under Section 25 of the EO, where an employment contract is terminated, any sum due to the employee shall be paid to him as soon as it is practicable and in any case not later than seven days after the day of termination. Under Section 63C of the EO, any employer who willfully and without reasonable excuse contravenes Section 25 of the EO commits an offence and is liable to a maximum fine of HK\$350,000 and to imprisonment for a maximum of three years. Further, under Section 25A of the EO, if any wages or any sum referred to in Section 25(2)(a) of the EO are not paid within seven days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Under Section 63CA of the EO, any employer who willfully and without reasonable excuse contravenes Section 25A of the EO commits an offence and is liable on conviction to a maximum fine of HK\$10,000.

REGULATORY OVERVIEW

Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong) (“MWO”)

The MWO provides a prescribed minimum hourly wage rate for every employee employed under the EO. It provides that wages payable to an employee in respect of any wage period, when averaged over the total number of hours worked in the wage period, should be no less than the statutory minimum wage, which was HK\$37.5 as at the Latest Practicable Date. Any provision of the employment contract which purports to extinguish or reduce the right, benefit and or protection conferred by this ordinance is void.

Employees’ Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) (“ECO”)

The ECO establishes a no-fault, non-contributory employee compensation system for work injuries and lays down the obligations of employers in respect of injuries sustained by, or death of their employees caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases suffered by the employees.

Under the ECO, if any employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is generally liable to pay for the compensation even if acts of faults or negligence on the employee’s behalf may have contributed to the accident. Similarly, under Section 32 of the ECO, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents. Further, Section 40 of the ECO provides that all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the ECO and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Under Section 40(2) of the ECO, an employer who fails to comply with the ECO to secure an insurance cover is liable on conviction upon indictment to a fine of HK\$100,000 and imprisonment for two years and on summary conviction to a fine of HK\$100,000 and imprisonment for one year.

Under Section 48 of the ECO, an employer shall not, without the consent of the Commissioner for Labour, terminate, or give notice to terminate, the contract of service of an employee (who has suffered incapacity or temporary incapacity in circumstances which entitle him to compensation under the ECO) before the occurrence of certain events. Any person who commits a breach of this provision is liable on conviction to a maximum fine of HK\$100,000.

Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) (“OSHO”)

The OSHO regulates the safety and health matters in work places, and applies to all employers and occupiers of premises where workplace are located. Its primary purposes are (1) to ensure the safety and health of employees when they are at work, (2) to prescribe measures that will make workplaces of employees safer and healthier for them, (3) to improve the safety and health standards applicable to certain hazardous processes, plant and substances used or kept in workplaces, and (4) to improve the safety and health aspects of working environments of employees.

REGULATORY OVERVIEW

Employers must, as far as reasonably practicable, ensure the safety and health of their employees in their workplaces by:

- (i) providing and maintaining plant and work systems that are safe and without risks to health;
- (ii) making arrangements for ensuring safety and the absence of risks to health in connection with the use, handling, storage and transport of plants and substances;
- (iii) providing all necessary information, instruction, training and supervision for ensuring safety and health;
- (iv) providing and maintaining safe access to and egress from the workplaces; and
- (v) providing and maintaining a work environment that is safe and without risks to health.

Under Section 6 of the OSHO, failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

Under Sections 9 and 10 of the OSHO, the Commissioner for Labour may also issue improvement notices against non-compliance of the OSHO or the Factories and Industrial Undertakings Ordinance (Cap. 59 of the Laws of Hong Kong), or suspension notices against activities of workplace which may create imminent hazard to employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment for up to one year.

Taxation Related Laws and Regulations in Hong Kong

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (“IRO”) is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The Inland Revenue Ordinance provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “IRO Amendment Bill”), which introduces the two-tiered profits tax rates regime. The IRO Amendment Bill was signed into law on 28 March 2018. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entity not qualifying for the two-tiered profits tax rates regime will

REGULATORY OVERVIEW

continued to be taxed at a flat rate of 16.5%. Accordingly, starting from the year of assessment 2018/19, the Hong Kong profit tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for the qualifying group entity.

As HK Operating Entities are incorporated in Hong Kong, they are subject to the profit tax regime under the IRO.

LAWS AND REGULATIONS REGARDING DATA PRIVACY IN SELECTED COUNTRIES

Laws and Regulations in the United States

The Federal Trade Commission (“FTC”) may “prosecute any injury necessary to its duties in any part of the United States” and may initiate an enforcement action if it has “reason to believe” that the law is or has been violated. The basic consumer protection statute enforced by the FTC is Section 5(a)(1) of the Federal Trade Act (“FTC Act”), which provides that “unfair and deceptive acts or practices in or affecting commerce are declared unlawful”. In particular, it may constitute “unfair” or “deceptive” practice for an online advertisement company, like us, to fail to adhere to promised privacy policies or practices. In addition, the FTC enforces a variety of specific consumer protection statutes, including but not limited to the Children’s Online Privacy Protection Act, the Fair Credit Reporting Act, the Controlling the Assault of Non-Solicited Pornography and Marketing Act and others, to prohibit specifically-defined trade practices and generally specify that violations to be treated as if they were “unfair” or “deceptive”.

In February 2019, the House and the Senate held hearings respectively kicking off the legislative process for a comprehensive federal privacy law. It is widely agreed that the FTC should have primary enforcement authority for any new data privacy legislation.

The Children’s Online Privacy Protection Act (“COPPA”) applies to operators of commercial websites directed to children 12 and under that collect or maintain personal information, as well as other websites that have actual knowledge that they are collecting or maintaining personal information from a child 12 and under. Principally, COPPA requires operators to: post a privacy policy on the website; provide notice directly to parents; get parental consent; allow parents to review personal information collected from their children; allow parents to revoke their consent, and delete information collected from their children at parents’ request; establish and maintain reasonable procedures to protect the confidentiality, security, and integrity of children’s information; not condition a children’s participation in certain activities on collection of more personal information than is reasonably necessary. As mentioned above, the FTC is the enforcer of COPPA.

REGULATORY OVERVIEW

Section 230 of the Communication Decency Act currently says that “No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider”. In other words, online intermediaries that host or republish speech are protected against a range of laws that might otherwise be used to hold them legally responsible for what others say and do. The protected intermediaries include not only regular Internet Service Providers (ISPs), but also a range of “interactive computer service providers,” including basically any online service that publishes third-party content. At least some of our products are protected therefore. However, there have been a number of recent legislative proposals in the United States, at both the federal and state level, that could impose new obligations in areas such as privacy and liability for copyright infringement by third parties. For example, in 2018, Section 230 was amended by the Allow States and Victims to Fight Online Sex Trafficking Act. In particular, the United States government, including the FTC and the Department of Commerce, has announced that it is reviewing the need for greater regulation for the collection of information concerning user behavior on the Internet, including regulation aimed at restricting certain online tracking and targeted advertising practice.

As of the Latest Practicable Date, no specific licenses are required under U.S. federal law for our business.

Laws and Regulations in the European Union

In 2016, the General Data Protection Regulation (“**GDPR**”) has been adopted to replace the Data Protection Directive from 1995. The GDPR not only applies to entities located within the EU but also applies to those located outside of the EU if they offer goods or services to, or monitor the behavior of, EU data subjects. Besides, it applies to all companies processing and holding the personal data of data subjects residing in the European Union, regardless of the company’s location. The GDPR became enforceable from May 25, 2018 and, unlike a directive, it does not require national governments to pass any enabling legislation, and is thus directly binding and applicable. Consequently, we may be facing new data protection obligations, as well as a reinforcement of pre-existing obligations under the GDPR.

The GDPR applies to ‘personal data’, meaning any information relating to an identifiable person who can be directly or indirectly identified in particular by reference to an identifier. Entities inside the GDPR’s reach must ensure the lawfulness of personal data processing, including as regards intra-group processing activities, data transfers to third countries and the involvement of a processor. Any processing activity is forbidden unless it is justified by law. Special categories of personal data relating, inter alia, to an individual’s political opinions, religious or philosophical beliefs or health, merit specific protection, and processing of such data must be subject to appropriate safeguards based on its high-risk potential.

Entities inside the GDPR’s jurisdiction will also have to make considerable efforts to get their data protection organization into compliance with the GDPR. Different organizational requirements will have to be fulfilled. Specifically, entities may, depending on particular circumstances, be obligated to: implement records of their data processing activities; designate

REGULATORY OVERVIEW

a Data Protection Officer; carry out a preventive Data Protection Impact Assessment; address the concepts of Privacy by Design and Privacy by Default; implement technical and organizational measures to guarantee the safeguard of personal data; fulfill numerous obligations towards the data subjects; report towards the Supervisory Authorities in case of a personal data breach; and for entities that fall within the scope of application of the GDPR without having an establishment in the EU, to appoint an EU-located representative.

As of the Latest Practicable Date, no specific licenses are required under European Union law for our business.

Laws and Regulations in India

Information Technology Act, 2000 and Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011

The collection, processing and transfer of personal information (PI) and sensitive personal information (SPI) is regulated by the Information Technology Act, 2000 (IT Act) and the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011 (Information Technology Rules) issued thereunder.

The Information Technology Rules defines personal information as “any information that relates to a natural person, which, either directly or indirectly, in combination with other information available or likely to be available with a body corporate, is capable of identifying such person.” Furthermore, sensitive personal data is defined as “such personal information which consists of information relating to: (i) password; (ii) financial information such as Bank account or credit card or debit card or other payment instrument details; (iii) physical, physiological and mental health condition; (iv) sexual orientation; (v) medical records and history; (vi) Biometric information”.

Section 43A of the IT Act seeks to impose an obligation on body corporates to implement and maintain “reasonable security practices and procedures” while processing PI or SPI, where “body corporate” is defined as any company including a firm, sole proprietorship, or other association of individuals engaged in commercial or professional activities.

Information Technology (Intermediaries Guidelines) Rules, 2011 (“IT ACT”)

Section 79 of the IT Act provides safe harbor exemption to intermediaries from liability for third party content. The IT Act defines an ‘intermediary’ with respect to an electronic record as “a person who on behalf of a third party receives, stores or transmits electronic records or provides any service with respect to that record”. Examples of intermediaries include internet service providers, network service providers, search engines, online payment sites, etc. In accordance with this definition, we understand that the company will be an intermediary with respect to the third-party advertisements that it deals with as a part of its business.

REGULATORY OVERVIEW

As of the Latest Practicable Date, no specific licenses are required under Indian law for our business.

Laws and Regulations in Brazil

Brazil enacted its first comprehensive data protection regulation the Brazilian General Data Protection Law (LGPR) on August 14, 2018. On December 28, 2018, the Provision Measure no. 869/2018 was published, which amended certain LGPD provisions and created the National Data Protection Authority (ANPD). Among other modifications, the LGPD will go into full force in August 2020 rather than February 2020 as required when the LGPD was first published. The LGPD, as amended, will take effect in August 2020.

Prior to the LGPD, there is no sole and specific piece of legislation that deals with data protection. Collection, storage, retention, treatment and use of personal data is ruled by different pieces of legislation scattered over diverse areas of law, applicable to different and specific groups of people and activities, including Federal Law 12,965 of April 23, 2014 (“Internet Law”) and its regulation (Decree 8771) and the Federal Law 8,078 (“The Consumer Rights Code”) of September 11, 1990.

The LGPD applies to any processing operation carried out by a natural person or a legal entity, of public or private law, irrespective of the means used for the processing, the country in which its headquarter is located or the country where the data are located, provided that: the processing operation is carried out in Brazil; the purpose of the processing activity is to offer or provide goods or services, or the processing of data of individuals located in Brazil, or the personal data was collected in Brazil.

The LGPD defines personal data as any information related to an identified or identifiable natural person. Anonymized data is not be considered personal data, except when the process of anonymization has been reversed or if it can be reversed applying reasonable efforts. Under LGPD collection and processing is referred to as data treatment, and defined as all operations carried out with personal data. The treatment of personal data may only be carried out based on one of the legal bases under the LGPD, including consent, legal or regulatory obligation, public necessity, contract, vital interests, legitimate interests and etc.

The LGPD provides for penalties in case of violations its provisions. Data processing agents that commit infractions can be subject to administrative sanctions, in a gradual, single or cumulative manner, including a fine, simple or daily, of up to 2% of the revenues of a private legal entity, group or conglomerate in Brazil, up to a total maximum of R\$50 million per infraction. Other sanctions can include: warning, publicizing of the violation, blocking the personal data to which the infraction refers to until its regularization, deletion of the personal data to which the infraction refers to.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

Our history can be traced back to 2011 when Mr. Liu Chunhe started his business as a mobile app developer. We launched our first mobile app Solo Launcher in May 2013. With the success of our Solo X products around the world, we accumulated a larger user base, leveraging on which we entered into the mobile advertising industry. By repositioning us as an information distribution services provider, we successively started to build our mobile advertising platform and launched our supply side platform SFP in October 2014. Through five years of research and development efforts, we have built our own mobile advertising ecosystem and established the brand name of Solo Math in September 2018.

KEY BUSINESS MILESTONES

The following is a summary of our key business development milestones:

Year	Event
2013	We launched our first proprietary product Solo Launcher in May and our launcher products attracted more than one million users in six months.
2014	We launched our programmatic advertising platform Solo Math in October.
2015	We were recognised as a “Top Developer” with one of the “Best Apps of 2015” by Google Play. Our launcher products reached a total downloads of approximately 100 million times in May.
2016	We launched our proprietary AI engine Solo Aware. We were recognized as “The Most Promising Platform” by GMIC.
2017	We were recognised as “The Best Going Global Platform” by GMIC.
2018	We launched our OpenRTB-based programmatic ad exchange SAX in May. The average DAUs of our Solo Math platform exceeded 347 million in December, and the largest daily ad delivery request volume on Solo Math exceeded 6.7 billion times as at 31 December 2018.
2018	Solo X product matrix attracted more than 669.9 million users cumulatively up to 31 December 2018 and one of our core products Solo Launcher had achieved daily ranking No. 1 by downloads at least once in Google Play in 89 countries and regions.
2019	We were granted the “Global Brand Leadership Award” by 2019 Global AI Marketing Leaders Summit.

HISTORY AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The principal business activities before and after the Reorganisation, date of establishment and commencement of business, place of establishment, registered capital/issued share capital and business licence(s) owned of our major subsidiaries and operating entities that made a material contribution to our results of operations during the Track Record Period are shown below:

Name of Entity	Principal Business Activities Before Reorganisation	Principal Business Activities After Reorganisation	Date of Establishment and Commencement of Business, Place of Establishment	Registered Capital/Issued Share Capital	Business Licence(s) Owned
NewBornTown Mobile Technology	Proprietary app traffic monetisation	Investment holding	15 August 2007, 22 April 2011 the PRC	RMB58.183695 million	PRC Business Licence and ICP Licence
NewBornTown Network Technology	Proprietary app traffic monetisation, mobile advertising platform and related service	Proprietary app traffic monetisation	28 February 2014 the PRC	RMB300 million	PRC Business Licence and ICP Licence
Shandong NewBornTown	Dormant	Mobile advertising platform and related service	30 August 2018 the PRC	RMB10.50 million	PRC Business Licence
Newborn Town International	Proprietary app traffic monetisation and mobile advertising platform and related service	Proprietary app traffic monetisation, mobile advertising platform and related service	20 December 2013 Hong Kong	HK\$10,000	Hong Kong Business Registration Certificate
Great Sailing	Mobile advertising platform service	Mobile advertising platform service	16 April 2013 Hong Kong	HK\$500,000	Hong Kong Business Registration Certificate

HISTORY AND CORPORATE STRUCTURE

NewBornTown Network Technology

Establishment

NewBornTown Network Technology was established in the PRC with limited liability on 28 February 2014, with a view to setting up new investment entity in response to investors and gradually transferring the operating business of Solo Launcher into NewBornTown Network Technology. Upon establishment, NewBornTown Network Technology had an initial registered capital of RMB100,000. It was founded by Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian, who held 65%, 20% and 15% of the equity interest, respectively. In 2015, NewBornTown Network Technology became a wholly-owned subsidiary of NewBornTown Mobile Technology. Please refer to the paragraph headed “NewBornTown Mobile Technology – Capital increase in 2015” in this section for further details. As at the Latest Practicable Date, NewBornTown Network Technology was principally engaged in proprietary app traffic monetisation business.

Capital increase in 2014

On 3 April 2014, in supporting the business operation and development of our Group, NewBornTown Network Technology entered into a share subscription agreement with Mr. Yu Ce, an Independent Third Party, pursuant to which Mr. Yu Ce subscribed additional registered capital of RMB25,000, representing 20% of the equity interest in NewBornTown Network Technology after the said subscription, with a consideration of RMB2 million. The investment was determined based on arm’s length negotiations between parties with reference to the future prospects of our Group at the time of investment and the consideration was fully settled in April 2014. It was confirmed by the Company that, on 15 June 2014, owing to divergent opinions on comprehensive business philosophies and strategies with the management, Mr. Yu Ce entered into a share transfer agreement with Mr. Liu Chunhe, pursuant to which Mr. Yu Ce transferred 20% of the equity interest in NewBornTown Network Technology to Mr. Liu Chunhe with a consideration of RMB7.6 million. The investment was determined with reference to the future prospect of our Group, in particular, the anticipated investments in NewBornTown Network Technology by Plum Venture, Mr. Huang Mingming and Mr. Du Li as mentioned in the paragraph below and the consideration was fully settled in July 2014. Upon completion of the share subscription and share transfer, NewBornTown Network Technology was held as to 72%, 16% and 12% by Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian, respectively.

In supporting the business operation and development of our Group, on 14 July 2014, NewBornTown Network Technology, Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian entered into an equity subscription agreement with Plum Venture, Mr. Huang Mingming and Mr. Du Li, all then being Independent Third Parties, pursuant to which Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian subscribed additional registered capital of RMB28,438, RMB13,750 and RMB10,312, respectively, and Plum Venture, Mr. Huang Mingming and Mr. Du Li subscribed additional registered capital of RMB25,000, RMB16,250 and RMB31,250 of NewBornTown Network Technology with a consideration of RMB4 million, RMB2.6 million

HISTORY AND CORPORATE STRUCTURE

and RMB5 million, respectively. The investment was determined with reference to the future prospects of our Group at the time of the equity subscription and the consideration was fully settled on 3 March 2016. Upon completion of such capital increase, the registered capital of NewBornTown Network Technology increased to RMB250,000, and NewBornTown Network Technology was held as to approximately 47.4%, 13.5%, 10.1%, 10.0%, 6.5% and 12.5% by Mr. Liu Chunhe, Mr. Li Ping, Mr. Ye Chunjian, Plum Venture, Mr. Huang Mingming and Mr. Du Li, respectively.

For the business operation and supplement of future working capital, on 5 December 2014, NewBornTown Network Technology, Mr. Liu Chunhe, Mr. Li Ping, Mr. Ye Chunjian, Plum Venture, Mr. Huang Mingming and Mr. Du Li entered into a convertible debt agreement with Mr. He Qiang, who was entrusted to make the investment by Beijing Amphora, an Independent Third Party, pursuant to which Mr. He Qiang invested RMB12.88 million to NewBornTown Network Technology by way of debt investment. It was agreed by both parties that, before the next round fund raising, NewBornTown Network Technology was entitled to convert the total amount of convertible debt into 3% equity interest of NewBornTown Network Technology. The investment was determined with reference to the future prospects of our Group at the time of investment and the consideration was fully settled in December 2014. Upon completion of conversion of convertible debt into equity interest on 26 March 2015, the equity interest of NewBornTown Network Technology was as set forth below.

Shareholder	Registered capital	Approximate percentage of the equity interest
	(RMB)	(%)
Mr. Liu Chunhe	118,438	45.95
Mr. Li Ping	33,750	13.09
Mr. Ye Chunjian	25,312	9.82
Plum Venture	25,000	9.70
Mr. Huang Mingming*	16,250	6.31
Mr. Du Li	31,250	12.13
Mr. He Qiang**	7,732	3.00
Total	257,732	100

Notes:

* Mr. Huang Mingming held the equity interest in NewBornTown Network Technology on trust for Future Capital Discovery Fund I, L.P..

** Mr. He Qiang held the equity interest in NewBornTown Network Technology on trust for Beijing Amphora.

HISTORY AND CORPORATE STRUCTURE

Capital increase in 2015

On 31 March 2015, Mr. He Qiang entered into an equity transfer agreement with Beijing Amphora, pursuant to which Mr. He Qiang transferred RMB7,732 of the capital contribution, representing 3% of the equity interest, in NewBornTown Network Technology to Beijing Amphora with a consideration of RMB12.88 million. The consideration was the same as the investment cost in convertible debt by Mr. He Qiang. The share transfer was the unwinding of the entrustment arrangement between Mr. He Qiang and Beijing Amphora in relation to the investment in convertible debt issued by and equity in NewBornTown Network Technology. Concurrent with the equity transfer, NewBornTown Network Technology entered into an equity subscription agreement with Haitong Kaiyuan, then being an Independent Third Party, pursuant to which Haitong Kaiyuan subscribed additional registered capital of RMB85,911, representing 25% of the equity interest, of NewBornTown Network Technology with a consideration of RMB183 million. The investment was determined with reference to the future prospects of our Group at the time of share subscription and the consideration was fully settled in August 2015. On 7 August 2015, Haitong Kaiyuan entered into an equity transfer agreement with Haitong Xinxi, an investment fund controlled by Haitong Kaiyuan through its capacity as general partner, pursuant to which the parties agreed that Haitong Kaiyuan shall transfer approximately 12.5% of the equity interest in NewBornTown Network Technology to Haitong Xinxi with a consideration of RMB91.5 million. Following the subscription and share transfer, the registered capital of NewBornTown Network Technology increased to RMB343,643. Upon completion of the above transactions, the equity interest of NewBornTown Network Technology was as set forth below.

Shareholder	Registered capital (RMB)	Approximate percentage of the equity interest (%)
Mr. Liu Chunhe	118,438	34.47
Mr. Li Ping	33,750	9.82
Mr. Ye Chunjian	25,312	7.37
Plum Venture	25,000	7.27
Mr. Huang Mingming*	16,250	4.73
Mr. Du Li	31,250	9.09
Beijing Amphora	7,732	2.25
Haitong Kaiyuan	42,955.5	12.50
Haitong Xinxi	42,955.5	12.50
Total	343,643	100

Note:

- * Mr. Huang Mingming held the equity interest in NewBornTown Network Technology on trust for Future Capital Discovery Fund I, L.P..

HISTORY AND CORPORATE STRUCTURE

NewBornTown Mobile Technology

Establishment

NewBornTown Mobile Technology was formerly known as Beijing Lianchuang Sizhuang Technology Development Co., Ltd. (北京聯創思壯科技發展有限公司) and incorporated under the laws of the PRC on 15 August 2007 with an initial registered capital of RMB30,000. From the date of its establishment to April 2011, NewBornTown Mobile Technology was a dormant company without active business operation or significant assets, which was owned by two Independent Third Parties. On 22 April 2011, Mr. Liu Chunhe and Ms. Wu Xueli entered into share transfer agreements with the two Independent Third Parties, respectively, with an aggregate consideration of RMB30,000, to acquire all of the equity interest in NewBornTown Mobile Technology. Upon completion of the acquisition, 90% and 10% of the equity interest in NewBornTown Mobile Technology was held by Mr. Liu Chunhe and Ms. Wu Xueli, respectively. As at the Latest Practicable Date, NewBornTown Mobile Technology was principally engaged in investment holding.

On 24 April 2013, in accordance with the resolutions considered and approved at the shareholders meeting of NewBornTown Mobile Technology, Ms. Wu Xueli transferred 10% of the equity interest in NewBornTown Mobile Technology with a consideration of RMB3,000 to Mr. Li Ping. The consideration was determined with reference to the share capital contribution and was fully settled on 24 April 2013. Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian subscribed additional registered capital of RMB38,000, RMB17,000 and RMB15,000, respectively. Upon completion of the transfer and subscription, NewBornTown Mobile Technology was held as to 65%, 20% and 15% by Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian, respectively.

Capital increase in 2015

In view of facilitating the streamline of corporate structure of NewBornTown Network Technology and NewBornTown Mobile Technology, there had been a number of changes in the shareholdings of NewBornTown Mobile Technology as a result of certain equity transfers. The said transfers were to mirror the shareholding structure of NewBornTown Network Technology with the purpose of proceeding the subsequent injection of NewBornTown Network Technology into NewBornTown Mobile Technology. As such, Ms. Wu Xueli transferred RMB34,470, RMB4,730, RMB800, RMB12,500 and RMB12,500 of the registered capital contribution in NewBornTown Mobile Technology to Mr. Liu Chunhe, Mr. Huang Mingming, Beijing Amphora, Haitong Kaiyuan and Haitong Xinxi, respectively; Mr. Ye Chunjian transferred RMB7,270 and RMB360 of the registered capital contribution in NewBornTown Mobile Technology to Plum Venture and Beijing Amphora, respectively; Mr. Li Ping transferred RMB9,090 and RMB1,090 of the registered capital contribution in NewBornTown Mobile Technology to Mr. Du Li and Beijing Amphora, respectively. The consideration paid to the foregoing transfers were based on the then registered capital of NewBornTown Mobile Technology. Upon completion of the said transfers, the equity interest of NewBornTown Mobile Technology was as set forth below.

HISTORY AND CORPORATE STRUCTURE

Shareholder	Registered capital (RMB)	Approximate percentage of the equity interest (%)
Mr. Liu Chunhe	34,470	34.47
Mr. Li Ping	9,820	9.82
Mr. Ye Chunjian	7,370	7.37
Mr. Du Li	9,090	9.09
Beijing Amphora	2,250	2.25
Plum Venture	7,270	7.27
Mr. Huang Mingming*	4,730	4.73
Haitong Kaiyuan	12,500	12.50
Haitong Xinxi	12,500	12.50
Total	100,000	100

Note:

- * Mr. Huang Mingming held the equity interest in NewBornTown Mobile Technology on trust for Future Capital Discovery Fund I, L.P..

NewBornTown Mobile Technology entered into capital increase agreements with Mr. Liu Chunhe, Mr. Li Ping, Mr. Ye Chunjian, Mr. Du Li, Beijing Amphora, Plum Venture, Mr. Huang Mingming, Haitong Kaiyuan and Haitong Xinxi, respectively, pursuant to which they subscribed additional registered capital of RMB49.90 million in exchange for their entire equity interests in NewBornTown Network Technology on 21 September 2015. The consideration was fully settled in September 2015. Following the subscription, the registered capital of NewBornTown Mobile Technology increased to RMB50 million. NewBornTown Network Technology became a wholly-owned subsidiary of NewBornTown Mobile Technology. This merger was treated as the business combination under common control given the same shareholding structure of NewBornTown Network Technology and NewBornTown Mobile Technology before the transaction.

On 22 September 2015, Mr. Liu Chunhe entered into an equity transfer agreement with Hande Houcheng, pursuant to which Mr. Liu Chunhe transferred 5% of the equity interest, among which, RMB5,000 by way of cash contribution and RMB2.495 million by way of equity contribution, in NewBornTown Mobile Technology to Hande Houcheng with nil consideration. Hande Houcheng is a limited partnership established under the laws of the PRC, the general partner of which is Mr. Liu Chunhe, who holds 99.90% of the economic interests of Hande Houcheng, and the limited partner of which is Mr. Li Ping, who holds 0.10% of the economic interests of Hande Houcheng on behalf of Mr. Liu Chunhe. The establishment of Hande Houcheng was intended to be a shareholding platform to motivate and retain highly sought-after talent and in turn secure the long-term growth of our Group, where all shares of

HISTORY AND CORPORATE STRUCTURE

Hande Houcheng shall be taken as a share pool to offer share incentive to suitable management and employees in NewBornTown Mobile Technology. The aforementioned proposed share incentive plan has not been adopted subsequently. As of the Latest Practicable Date, no share had been granted as incentive or rewards to any employee under the proposed share incentive plan of Hande Houcheng since its establishment. Upon completion of above capital increase and transfer, the equity interest of NewBornTown Mobile Technology was as set forth below.

Shareholder	Registered capital	Approximate percentage of the equity interest
	(RMB million)	(%)
Mr. Liu Chunhe	14.735	29.47
Mr. Li Ping	4.910	9.82
Mr. Ye Chunjian	3.685	7.37
Mr. Du Li	4.545	9.09
Beijing Amphora	1.125	2.25
Plum Venture	3.635	7.27
Mr. Huang Mingming*	2.365	4.73
Haitong Kaiyuan	6.250	12.50
Haitong Xinxi	6.250	12.50
Hande Houcheng	2.500	5.00
Total	50.000	100

Note:

- * Mr. Huang Mingming held the equity interest in NewBornTown Mobile Technology on trust for Future Capital Discovery Fund I, L.P..

On 29 October 2015, NewBornTown Mobile Technology was converted into a joint stock company. On 8 November 2015, NewBornTown Mobile Technology entered into a share subscription agreement with Phoenix Fortune and Longwin Xihu, both then being Independent Third Parties, pursuant to which Phoenix Fortune and Longwin Xihu respectively subscribed 2.941 million shares and 0.588 million shares in NewBornTown Mobile Technology with a consideration of RMB100 million and RMB20 million. The investment was determined with reference to the future prospects of our Group at the time of investment and the consideration was fully settled in November 2015. The registered capital of NewBornTown Mobile Technology increased to RMB53.529 million. Upon completion of the subscription, the equity interest of NewBornTown Mobile Technology was as set forth below.

HISTORY AND CORPORATE STRUCTURE

Shareholder	Number of shares (Million)	Approximate percentage of the equity interest (%)
Mr. Liu Chunhe*	14.735	27.53
Mr. Li Ping	4.910	9.17
Mr. Ye Chunjian	3.685	6.88
Mr. Du Li	4.545	8.49
Beijing Amphora	1.125	2.10
Plum Venture	3.635	6.79
Mr. Huang Mingming**	2.365	4.42
Haitong Kaiyuan	6.250	11.68
Haitong Xinxi	6.250	11.68
Hande Houcheng	2.500	4.67
Phoenix Fortune	2.941	5.49
Longwin Xihu	0.588	1.10
Total	53.529	100

Notes:

* On 9 October 2015, in order to recognise the performance of and provide incentive to Mr. Wang Kui, our executive Director and the chief financial officer, Mr. Liu Chunhe transferred 3.07% of the then equity interest in NewBornTown Mobile Technology to Mr. Wang Kui, and Mr. Liu Chunhe is entrusted to hold aforesaid 3.07% of the then equity interest in NewBornTown Mobile Technology on Mr. Wang Kui's behalf.

** Mr. Huang Mingming held the equity interest in NewBornTown Mobile Technology on trust for Future Capital Discovery Fund I, L.P.

Capital increase in 2016

NewBornTown Mobile Technology entered into a share subscription agreement with Phoenix Fortune, pursuant to which Phoenix Fortune further subscribed 4,654,695 shares in NewBornTown Mobile Technology with a consideration of RMB200 million. The investment was determined with reference to the future prospects of our Group at the time of investment, and the consideration was fully settled in May 2016. The registered capital of NewBornTown Mobile Technology increased to RMB58.183695 million. Upon completion of the subscription, NewBornTown Mobile Technology was held as to approximately 25.33%, 8.44%, 6.33%, 7.81%, 1.93%, 6.25%, 4.07%, 10.74%, 10.74%, 4.30%, 13.05% and 1.01% by Mr. Liu Chunhe, Mr. Li Ping, Mr. Ye Chunjian, Mr. Du Li, Beijing Amphora, Plum Venture, Mr. Huang Mingming, Haitong Kaiyuan, Haitong Xinxi, Hande Houcheng, Phoenix Fortune and Longwin Xihu, respectively.

HISTORY AND CORPORATE STRUCTURE

Equity transfer in 2019

In April 2019, Haitong Xinxi entered into a share transfer agreement with China Fuqiang, an Independent Third Party, pursuant to which Haitong Xinxi transferred 484,864.13 shares, representing approximately 0.83% of the equity interest, in NewBornTown Mobile Technology to China Fuqiang with a consideration of RMB10 million. To the best knowledge of the Directors, Haitong Xinxi was in need of financial resource for the redemption by certain of its investors in the material time and therefore it entered into the share transfer agreement with China Fuqiang. The consideration was fully settled in May 2019.

Upon completion of the above equity transfers in 2019, the shareholding structure of NewBornTown Mobile Technology is set out as below:

Shareholder	Approximate number of shares (Million)	Approximate percentage of the equity interest (%)
Mr. Liu Chunhe*	14.735	25.33
Mr. Li Ping	4.910	8.44
Mr. Ye Chunjian	3.685	6.33
Mr. Du Li	4.545	7.81
Beijing Amphora	1.125	1.93
Plum Venture	3.635	6.25
Mr. Huang Mingming**	2.365	4.07
Haitong Kaiyuan	6.250	10.74
Haitong Xinxi	5.765	9.91
Hande Houcheng	2.500	4.30
Phoenix Fortune	7.596	13.05
Longwin Xihu	0.588	1.01
China Fuqiang	0.485	0.83
Total	58.184	100

Notes:

* On 9 October 2015, in order to recognise the performance of and provide incentive to Mr. Wang Kui, our executive Director and the chief financial officer, Mr. Liu Chunhe transferred 3.07% of the then equity interest in NewBornTown Mobile Technology to Mr. Wang Kui, and Mr. Liu Chunhe is entrusted to hold aforesaid 3.07% of the then equity interest in NewBornTown Mobile Technology on Mr. Wang Kui's behalf.

** Mr. Huang Mingming held the equity interest in NewBornTown Mobile Technology on trust for Future Capital Discovery Fund I, L.P.

HISTORY AND CORPORATE STRUCTURE

Shandong NewBornTown

Establishment

Shandong NewBornTown was established in the PRC with limited liability on 30 August 2018, with an initial registered capital of RMB10 million and was a wholly-owned subsidiary of NewBornTown Network Technology. As at the Latest Practicable Date, Shandong NewBornTown was principally engaged in mobile advertising platform and related service business. The shareholding structure of Shandong NewBornTown at the time of establishment is set out as below:

<u>Shareholder</u>	<u>Registered capital</u> <u>(RMB million)</u>	<u>Percentage of the equity interest</u> <u>(%)</u>
NewBornTown Network Technology	10.00	100.00

Introduction of Universe

We introduced a Hong Kong entity, Universe Intelligence Technology Limited (“**Universe**”), as an Independent Third Party and overseas investor. Universe subscribed additional registered capital of Shandong NewBornTown with a total consideration of the US Dollars equivalent of RMB0.5 million in April 2019, which was determined with reference to the registered capital of Shandong NewBornTown since it was dormant before the completion of Reorganisation. As advised by our PRC Legal Adviser, the subscription had completed all required governmental registrations. After completion of the said subscription on 2 April 2019, Shandong NewBornTown was converted into a sino-foreign joint venture and was held as to approximately 95.24% and 4.76% by NewBornTown Network Technology and Universe, respectively. As at the Latest Practicable Date, Shandong NewBornTown was an indirectly wholly-owned subsidiary of our Company. Please refer to section headed “History and Corporate Structure – Onshore Reorganisation – Transfer of Shandong NewBornTown” for further details.

HISTORY AND CORPORATE STRUCTURE

Newborn Town International

Establishment

Newborn Town International was incorporated on 20 December 2013 with limited liability under the laws of Hong Kong. At the time of incorporation, the issued share capital of Newborn Town International was HK\$10,000 divided into 10,000 shares of HK\$ 1.00 each. Since the beginning of the Track Record Period and up to the date immediately prior to the Reorganisation, Newborn Town International was wholly-owned by NewBornTown Network Technology. Pursuant to the share transfer agreement entered into between NewBornTown Network Technology and the Company dated 20 June 2019, NewBornTown Network Technology has transferred its entire shareholding in Newborn Town International to the Company and Newborn Town International was a wholly-owned subsidiary of our Company as at the Latest Practicable Date. Please refer to section headed “History and Corporate Structure – Offshore Reorganisation” for further details. As at the Latest Practicable Date, Newborn Town International was principally engaged in proprietary app traffic monetisation, mobile advertising platform and related service.

Acquisition of Great Sailing in 2015

Great Sailing was incorporated on 16 April 2013 with limited liability under the laws of Hong Kong, the issued share capital of which was HK\$500,000 at the time of incorporation. It was principally engaged in mobile advertising platform service, with Leadhug being its brand name. In view of the potential growth and development of our business, on 20 September 2015, among other parties, Newborn Town International and Mr. Lawrence Fu, who held 100% of the equity interest in Great Sailing, entered into a share sale and purchase agreement, pursuant to which, among other things, Newborn Town International agreed to acquire from Lawrence Fu his entire interests in Great Sailing with a consideration of USD625,384.58. The consideration was determined based on arm’s length negotiations between parties with reference to future prospects of Great Sailing and the consideration was fully settled in November 2015. Upon completion of the said share sale and purchase agreement, Great Sailing became a wholly-owned subsidiary of Newborn Town International. As at the Latest Practicable Date, Great Sailing was principally engaged in mobile advertising platform service.

Disposal of Mobile Alpha Limited in 2016

Mobile Alpha Limited (“**Mobile Alpha**”), then being a wholly-owned subsidiary of Newborn Town International, was incorporated on 2 March 2016 with limited liability under the laws of Hong Kong, the issued share capital of which was HK\$1 at the time of incorporation. Mobile Alpha did not carry out any business and was dormant before the disposal. Newborn Town International disposed of the entire equity interest in Mobile Alpha to Beijing Duanji with a nominal consideration of HK\$1 in November 2016 and Beijing Duanji then used Mobile Alpha for its business operation.

HISTORY AND CORPORATE STRUCTURE

PREVIOUS LISTING ATTEMPT ON THE NEEQ AND VOLUNTARY WITHDRAWAL

As our business continued to grow and to further leverage NewBornTown Mobile Technology's management, corporate and brand awareness as well as to obtain alternative financing, NewBornTown Mobile Technology initiated the early phase of preparation for listing on the NEEQ and submitted its NEEQ Listing application on 21 December 2015 (the "NEEQ Listing"). During the review process of the NEEQ Listing application, two batches of customary comments, *inter alia*, financial fluctuation and business operation model, were received from the relevant regulator.

In respect of the financial fluctuation, the relevant regulator required additional disclosure on whether there was actual business carried out by the Group in 2013 given the Group recorded a relatively low level of revenue and administrative expenses with no operating costs, cost of sales or procurement. In the response, it was disclosed that while launched its first mobile app Solo Launcher in May 2013, the Group laid great emphasis on accumulating user base and enhancing user experience of Solo Launcher, and that as a result, the Group recorded a minimal level of revenue at an early stage of its business in that year.

In respect of the business operation model, on the basis that all of the top five customers were overseas customers during the reporting period (i.e. for the two years ended 31 December 2014 and the nine months ended 30 September 2015), comments raised by relevant regulator included, (i) explaining whether the Group solely conducted overseas business and whether such business was solely conducted through Hong Kong subsidiaries of the Group; (ii) disclosing details of the business division and cooperation among subsidiaries of the Group; and (iii) providing opinions issued by the then sponsor and the then reporting accountants as to the truthfulness, legitimacy and compliance of the overseas business of the Group, and the process of due diligence and auditing procedure undertaken by the then sponsor and the then reporting accountants, respectively.

The response provided supplementary disclosure in relation to the scope of business and internal operation model among domestic and Hong Kong subsidiaries of the Group, which confirmed, except for the transaction conducted with a domestic client in 2013, the revenue of the Group for the year ended 31 December 2014 and the nine months ended 30 September 2015 was generated from overseas clients. Furthermore, the response clarified, since the acquisition of Mobile Box Limited (currently known as Great Sailing), NewBornTown Mobile Technology primarily engaged in capital operation and strategic planning; NewBornTown Network Technology was principally responsible for the development, operation and maintenance of Solo Launcher series products; and the Hong Kong subsidiaries were mainly responsible for entering into business contracts with, and receiving and making payments from and to the overseas clients and suppliers. The then sponsor after verifying the revenue of the Group and reviewing the legal opinion on overseas business, and the then reporting accountants confirmed the truthfulness, legitimacy and compliance of the overseas business of the Group.

HISTORY AND CORPORATE STRUCTURE

Our Directors are of the view that the comments raised by the regulator in relation to NewBornTown Mobile Technology were not material, and were duly addressed and resolved in the responses. Subsequently, the potential acquisition by Tech-Long (as defined below) was contemplated for the business growth of our Group while the Directors considered such introduction would have implication on the timetable of NEEQ Listing, NewBornTown Mobile Technology has ceased to progress its application for the proposed NEEQ Listing in April 2016. Please refer to the paragraph headed “Contemplated Transaction with Tech-Long and Voluntary Withdrawal” in this section for further details for the acquisition.

On such basis, our Directors confirm that there is no disagreement with the relevant regulatory authority, the then sponsor and then reporting accountants of our Group in respect of the NEEQ Listing, and that there is nothing in relation to the NEEQ Listing application which would affect our Company’s suitability for the Listing, and are not aware of any material comments raised by the relevant regulatory authority nor any substantial matter in relation to the NEEQ Listing application that needs to be brought to the Stock Exchange’s attention. The cost incurred by our Group for the NEEQ Listing was approximately RMB1.77 million.

Having performed due diligence on the NEEQ Listing, including (i) discussing with the management of our Company regarding the NEEQ Listing, (ii) conducting an interview with the then sponsor of our Group with respect to the NEEQ Listing, (iii) reviewing the NEEQ Listing application document and the comments of the relevant regulator and the responses made by the then sponsor, and (iv) reviewing the audited report and declaration issued by the then reporting accountant and noted they have issued unqualified opinion and their declaration confirming the consistency between the NEEQ Listing application document and the aforesaid audited report, the Sole Sponsor, not having the relevant qualification or expertise in relation to the NEEQ Listing application, confirmed that based on the due diligence performed, information and representations given to the Sole Sponsor, nothing has come to the attention of the Sole Sponsor that cast doubts on our Directors’ view above, and that there is no material discrepancy between the disclosures in the NEEQ Listing application documents and those in this prospectus.

We are now seeking to list our Shares on the Stock Exchange as our Directors consider that the Stock Exchange is an internationally recognised and reputable stock exchange and will therefore provide a good platform for us to raise capital from international investors.

HISTORY AND CORPORATE STRUCTURE

CONTEMPLATED TRANSACTION WITH TECH-LONG AND VOLUNTARY WITHDRAWAL

In May 2016, the then shareholders of NewBornTown Mobile Technology (the “**Then Shareholders**”) entered into an asset purchase agreement (the “**Tech-Long Agreement**”) with Guangzhou Tech-Long Packaging Machinery Co., Ltd. (廣州達意隆包裝機械股份有限公司) (“**Tech-Long**”), a company listed on the SZSE (SZSE stock code: 002209). According to the Tech-Long Agreement, Tech-Long would acquire all equity interests in NewBornTown Mobile Technology with consideration comprising mainly of new shares to be issued by Tech-Long, plus certain cash payment, to the Then Shareholders (the “**Tech-Long Transaction**”). Through the Tech-Long Transaction, NewBornTown Mobile Technology expected to access the funding platform of Tech-Long as a listed company and get certain proceeds from the contemplated issuance of new shares by Tech-Long which was conditional with the Tech-Long Transaction.

Tech-Long is principally engaged in the design and manufacture of liquid packaging machinery. Upon completion, Tech-Long will become the sole shareholder of NewBornTown Mobile Technology. Mr. Du Li, indirectly controlled approximately 21% of equity interest in Tech-Long. To the best knowledge of our Directors, save for the above, Tech-Long has no past or present relationships with our Group other than in relation to the Tech-Long Transaction.

The Tech-Long Transaction was subject to certain conditions including the approvals of the board of directors and shareholders of Tech-Long and the approval of the CSRC as the Tech-Long Transaction was treated as a material assets restructuring of Tech-Long. Tech-Long submitted a reorganisation proposal to the SZSE for its review. The SZSE raised one round of comments on 31 May 2016, which were addressed by Tech-Long on 7 June 2016. Such comments were mainly on the disclosure of (i) change-of-control analysis and lock-up arrangements of Tech-Long and its shareholders, respectively; and (ii) business model and financial and operational data of NewBornTown Mobile Technology. The SZSE did not raise any comments as to the suitability or eligibility of NewBornTown Mobile Technology’s business for listing. Our Directors are of the view that the comments raised by the SZSE in relation to NewBornTown Mobile Technology were not material, and were duly addressed and resolved in the responses of Tech-Long. To the best knowledge of our Directors, the SZSE did not raise any further comments thereafter.

Due to changes in market conditions and the tightened regulatory environment on capital market activities in the PRC at the time, in relation to, *inter alia*, the contemplated amendment of the Measures for the Administration of the Material Asset Restructurings of Listed Companies, i.e. the purchase that may cause fundamental change to the principal business of the listed company would be deemed as new listing, which subsequently became effective in September 2016, our Directors are of the view that it was uncertain as to the timing to obtaining CSRC approval on the Tech-Long Transaction. The Then Shareholders and Tech-Long terminated the Tech-Long Agreement in July 2016 through mutual agreement. Our Directors confirm that there was no dispute or break-up fee arising out of the Tech-Long Agreement.

HISTORY AND CORPORATE STRUCTURE

On the basis of the above, our Directors confirm that there is no disagreement with the relevant regulatory authority and financial adviser with respect to the Tech-Long Transaction, and that there is nothing in relation to the Tech-Long Transaction which would affect our Company's suitability for the Listing, and are not aware of any material comments raised by the relevant regulatory authority nor any substantial matter in relation to the Tech-Long Transaction that needs to be brought to the Stock Exchange's attention. The cost incurred by our Group for the Tech-Long Transaction was approximately RMB0.51 million.

Having performed due diligence on the Tech-Long Transaction, including (i) discussing with the management of our Company regarding the Tech-Long Transaction, (ii) conducting interviews with the financial adviser of Tech-Long who took part in the Tech-Long Transaction, (iii) reviewing the reorganisation proposals and announcements with respect to the Tech-Long Transaction; and (iv) reviewing the comments of the regulator and the replies made by the financial adviser, the Sole Sponsor, not having the relevant qualification or expertise in relation to the transactions in Shenzhen Stock Exchange market, based on the due diligence performed, information and representations given to the Sole Sponsor, confirmed that nothing has come to the attention of the Sole Sponsor that cast doubts on our Directors' view above.

HISTORY AND CORPORATE STRUCTURE

PRE-IPO INVESTMENT

Overview

	Plum Venture	Mr. Du Li	Beijing Amphora	Mr. Huang Mingming ⁽¹⁾	Haitong Kaiyuan	Haitong Xinxi	Phoenix Fortune	Longwin Xinhu	China Fuqiang	Universe
Number of Shares/ percentage of equity interest subscribed for or acquired	Subscribed 10% of the equity interest in NewBornTown Network Technology	Subscribed 12.5% of the equity interest in NewBornTown Network Technology	Subscribed 3% of the equity interest in NewBornTown Network Technology	Subscribed 6.5% of the equity interest in NewBornTown Network Technology	Subscribed 12.5% of the equity interest in NewBornTown Network Technology	Subscribed 12.5% of the equity interest in NewBornTown Network Technology	(i) Subscribed 2,941,000 additional shares of NewBornTown Mobile Technology; (ii) Subscribed 4,654,695 additional shares of NewBornTown Mobile Technology; Ximxi	Subscribed 588,000 additional shares of NewBornTown Mobile Technology	China Fuqiang acquired 484,864.13 shares of NewBornTown Mobile Technology from Haitong Ximxi	Subscribed 41,572 ordinary shares of the Company
Consideration paid	RMB4 million	RMB5 million	RMB12.88 million	RMB2.6 million	RMB91.5 million	RMB91.5 million	(i) RMB100 million (ii) RMB200 million	RMB20 million	RMB10 million	HK\$574,085 (equivalent to RMB0.5 million)
Number and class of shares subscribed in our Company⁽⁵⁾	15,580,797 Series A Preferred Shares ⁽⁵⁾	19,481,355 Series A Preferred Shares ⁽⁵⁾	4,822,117 Series A Preferred Shares ⁽⁵⁾	10,137,162 Series A Preferred Shares ⁽⁵⁾	26,789,541 Series B Preferred Shares ⁽⁵⁾	24,711,255 Series B Preferred Shares ⁽⁵⁾	32,557,630 Series B Preferred Shares ⁽⁵⁾	2,520,360 Series B Preferred Shares ⁽⁵⁾	2,078,286 Series C Preferred Shares ⁽⁵⁾	41,572 Shares

HISTORY AND CORPORATE STRUCTURE

	Plum Venture	Mr. Du Li	Beijing Amphora	Mr. Huang Mingming ⁽¹⁾	Haitong Kaiyuan	Haitong Xinxi	Phoenix Fortune	Longwin Xinhu	China Fuqiang	Universe
Approximate percentage of shareholding in our Company immediately upon completion of the Capitalisation	5.41%	6.77% (held by Phoenix Wealth Investment (Holdings) Limited, his wholly-owned company)	1.68% (held by ICO STORE INC, the company wholly-owned by Ms. Zhou Weili, who in turn indirectly controls 60% of the interest in Beijing Amphora)	3.52% (held by Future Capital Discovery Fund I, L.P.)	7.35%	6.63%	8.92% (held by Phoenix Auspicious FinTech Investment L.P., which is indirectly controlled by Mr. Du Li)	0.88% (held by Hash Global Management Company Ltd., which is indirectly controlled by Longwin Xinhu)	0.72% (held by CHUANGQI INTERNATIONAL LIMITED, which is an affiliate of China Fuqiang)	0.01%
Issue and the Global Offering										
Date on which the Pre-IPO Investment was fully and irrevocably settled	16 July 2014	16 July 2014	11 December 2014	19 June 2015	27 May 2015	13 August 2015	(i) 11 November 2015 (ii) 6 May 2016	16 November 2015	7 May 2019	15 May 2019

HISTORY AND CORPORATE STRUCTURE

	Mr. Huang									
	Plum Venture	Mr. Du Li	Beijing Amphora	Mingming ⁽¹⁾	Haitong Kaiyuan	Haitong Xinxi	Phoenix Fortune	Longwin Xinhu	China Fuqiang	Universe
Cost per Share paid by the Pre-IPO Investors and discount to/premium over the Offer Price⁽²⁾	The cost per Share was approximately RMB0.07 and is equivalent to an approximately 95% discount to the mid-point of the indicative Offer Price range	The cost per Share was approximately RMB0.07 and is equivalent to an approximately 95% discount to the mid-point of the indicative Offer Price range	The cost per Share was approximately RMB0.77 and is equivalent to an approximately 46% discount to the mid-point of the indicative Offer Price range	The cost per Share was approximately RMB0.07 and is equivalent to an approximately 95% discount to the mid-point of the indicative Offer Price range	The cost per Share was approximately RMB1.24 and is equivalent to an approximately 14% discount to the mid-point of the indicative Offer Price range ⁽⁴⁾	The cost per Share was approximately RMB1.38 and is equivalent to an approximately 4% discount to the mid-point of the indicative Offer Price range ^{(3), (4)}	(i) The cost per Share was approximately RMB1.77 and is equivalent to an approximately 23% over the mid-point of the indicative Offer Price range ⁽⁴⁾	The cost per Share was approximately RMB2.28 and is equivalent to an approximately 59% premium over the mid-point of the indicative Offer Price range ⁽⁷⁾	The cost per Share was RMB1.38 and is equivalent to an approximately 4% discount to the mid-point of the indicative Offer Price range	The cost per Share was approximately HKD3.97 and is equivalent to an approximately 147% premium over the mid-point of the indicative Offer Price range ⁽⁸⁾
							(ii) The cost per Share was approximately RMB2.54 and is equivalent to an approximately 77% premium over the mid-point of the indicative Offer Price range ^{(4),(6)}			

Notes:

- (1) Mr. Huang Mingming held the equity interest in NewBornTown Network Technology and subsequently NewBornTown Mobile Technology on trust for Future Capital Discovery Fund I, L.P.
- (2) Assuming the Offer Price is HK\$1.60 per Offer Share, being the mid-point of the indicative Offer Price range.
- (3) Taking into account the return from the transfer of shares of NewBornTown Mobile Technology to China Fuqiang.
- (4) Taking into account the return from the Repurchases.
- (5) Upon occurrence of certain future events including, among others, the Group does not achieve a Qualified IPO (“**QIPO**”) before 31 May 2020, each of the Series B Preferred Shareholders (Haitong Kaiyuan, Haitong Xinxi, Phoenix Fortune and Longwin Xinhui) and the Series C Preferred Shareholders (China Fuqiang), as applicable, shall have a put option (each, a “**Put Option**”) to sell to Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian (in case of the Series B Preferred Shareholders) or to the Company (in case of the Series C Preferred Shareholders) all or any portion of the Series B Preferred Shares and the Series C Preferred Shares at relevant put option price. The Put Option price for the Series B Preferred Shares and the Series C Preferred Shares, as applicable, is the investment price plus an un compounded internal rate of return of 15% (in case of the Series B Preferred Shareholders) or of 10% (in case of the Series C Preferred Shareholders) including cash dividend that the Company has paid, within 120 days from the date of the redemption notice given to the Company. All of the Series A Preferred Shares, the Series B Preferred Shares and the Series C Preferred Shares shall be converted into ordinary shares at the option of holders at any time, or automatically be converted into ordinary shares upon the earlier of (i) the closing of a QIPO, and (ii) the prior written approval of at least two-thirds of the outstanding shares of the Company (on an as-converted basis). In the event of the automatic conversion of these preferred shares upon a QIPO as aforesaid, the person(s) entitled to receive the ordinary shares issuable upon such conversion of preferred shares shall not be deemed to have converted such preferred shares until immediately prior to the closing of such QIPO. Please refer to Note 26 to the Accountants’ Report included in Appendix I to this prospectus for further details.
- (6) Considering the two rounds of Pre-IPO Investments conducted by Phoenix Fortune respectively in November 2015 and May 2016, and the Repurchases as a whole, the average cost per Share paid by Phoenix Fortune, is approximately RMB2.24 or HK\$2.49, which is equivalent to an approximate premium of 38% over the maximum Offer Price or merely an approximate premium of 56% over the mid-point of the indicative Offer Price range. In so far as the Directors are aware, having considered the competencies and industry experiences of the Group’s management, Phoenix Fortune was of the view that the future prospects of NewBornTown Mobile Technology was promising.
- (7) Immediately following the completion of the Capitalisation Issue and the Global Offering, Hash Global Management Company Ltd., which is indirectly controlled by Longwin Xinhui, will hold approximately 0.88% of the total number of Shares in issue with investment cost of approximately RMB2.28 per Share, which represents an approximate premium of 41% over the maximum Offer Price or an approximate premium of 59% over the mid-point of the indicative Offer Price range. In so far as the Directors are aware, Longwin Xinhui was of the view that the future prospects of NewBornTown Mobile Technology was promising. With relatively insignificant amount of investment in the Group, the Group had more bargaining power in the negotiation of the terms of Pre-IPO investment with Longwin Xinhui, therefore it resulted in more favorable terms to the Group, such as higher investment costs.
- (8) Initially, Universe made its small investment in Shandong NewBornTown with a consideration of US Dollars equivalent to RMB0.5 million for approximately 4.76% of the equity interest in Shandong NewBornTown. The consideration was determined with reference to the then registered share capital of Shandong NewBornTown. Subsequently, as a part of Reorganisation, Universe made its investment in the Company with the same investment cost while its investment in Shandong NewBornTown was repurchased by the Group. With relatively insignificant amount of investment in the Group, the Group had more bargaining power in the negotiation of the terms of Pre-IPO investment with Universe, therefore it resulted in more favorable terms to the Group, such as higher investment costs.

HISTORY AND CORPORATE STRUCTURE

Principal terms of the Pre-IPO Investment

Lock-up period	Upon request by the Company or the Underwriter, the Pre-IPO Investors and their affiliates will not directly or indirectly, at any time, sell or otherwise transfer or dispose of any securities of the Company (other than transfers to affiliates permitted by applicable laws) without the prior written consent of the Company or the Underwriter, as the case may be, for a period of up to 180 days from the Price Determination Date.
Use of proceeds from the Pre-IPO Investments	We utilised all of the proceeds from the Pre-IPO Investments for the development and operation of our business, including but not limited to personnel recruitment, new business and product development, technology infrastructure, office utilities and marketing.
Strategic benefits the Pre-IPO Investors brought to our Company	At the time of the Pre-IPO Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-IPO Investors' Investments in our Company, and investments would enhance our market impression since their investments demonstrated their confidence in the operation and development of our Company and served as an endorsement of our Company's financial position and future prospects. Furthermore, having considered the Pre-IPO Investors' experience in investments, in particular that some of them have investment experience in the mobile internet industry, our Directors expected that the investment made by the Pre-IPO Investors would be able to bring insights to our Company's business strategies, assist the Company in strengthening its internal control and corporate governance practice, and to explore potential business opportunities with their extensive business connection network.

Basis of determining the consideration paid

The consideration for the Pre-IPO Investments made by Mr. Huang Mingming, Plum Venture and Mr. Du Li by June 2015 was determined after taking into account the scaling-up and rapid expansion of NewBornTown Network Technology with higher demand in working capital at the time of investment, in particular, the development of Solo Launcher and its constant upgrade and iteration.

HISTORY AND CORPORATE STRUCTURE

The consideration for the Pre-IPO Investment made by Beijing Amphora in December 2014 was determined after taking into account the market responses towards previous pre-IPO investment and that NewBornTown Network Technology achieved growth at the time of investment, when the Solo X product matrix was continuously enhanced with a growing global user base, gradually revealing the monetisation ability of the Solo X product matrix.

The consideration for the Pre-IPO Investments made by Haitong Kaiyuan in May 2015 and Haitong Xinxi in August 2015 was determined after taking into account the market responses towards previous pre-IPO investments and that the business of NewBornTown Network Technology witnessed a breakthrough at the time of investment, when the Solo X product matrix was continuously enhanced with diversified product offerings and a growing global user base, gradually revealing the monetisation ability of the Solo X product matrix. In so far as our Directors are aware, Haitong Kaiyuan and Haitong Xinxi, as professional institutional investors in the PRC, fully recognised the industry in which NewBornTown Network Technology operated and its future prospects.

The consideration for the Pre-IPO Investments made by Phoenix Fortune and Longwin Xihu in November 2015 and Phoenix Fortune in May 2016 were determined after taking into account the market responses towards previous Pre-IPO investments and that the overall business of NewBornTown Mobile Technology made substantial advancement along with its constantly enriched Solo X product matrix and scale of operation of monetisation, giving rise to the rapid increase of revenue generated from mobile advertising. In so far as our Directors are aware, having considered the competencies and industry experiences of our management, Phoenix Fortune and Longwin Xihu were both of the view that the future prospects of NewBornTown Mobile Technology was promising and hence the relevant Pre-IPO investments were made at a price which falls in the indicative Offer Price range. On the other hand, with a view to realising the further scaling-up, especially the endogenous growth and denotative expansion at next stage, NewBornTown Mobile Technology needs to prepare sufficient funds by way of equity financing.

China Fuqiang acquired the interest in our Group from Haitong Xinxi. The consideration for the Pre-IPO Investment made by China Fuqiang in May 2019 was determined after taking into account that Haitong Xinxi was, in so far as our Directors are aware, in need of financial resources for the redemption of interests held by certain of its investors at the material time and therefore it entered into the share transfer agreement with China Fuqiang at a consideration of RMB10 million.

The consideration for the Pre-IPO Investment made by Universe in April 2019 was determined after taking into account the registered capital of Shandong NewBornTown. Initially Universe made its investment in Shandong NewBornTown with consideration of US Dollars equivalent of RMB0.5 million for approximately 4.76% of equity interest in Shandong NewBornTown. Subsequently as a part of the Reorganisation, Universe made its investment in the Company with the same investment cost while its investment in Shandong NewBornTown was repurchased by the Group.

HISTORY AND CORPORATE STRUCTURE

Special rights of the Pre-IPO Investors

All of our Pre-IPO Investors are currently bound by the terms of the Existing Articles, which will be replaced by our Articles effective upon completion of the Global Offering. Pursuant to the Pre-IPO Shareholders' Agreement, the Pre-IPO Investors were granted certain special rights in relation to our Company, including, among others, information and inspection rights, right to designate, appoint, remove, replace directors, right of participation, right of first refusal, right of co-sale, restrictions on transfer, right of redemption, protective rights, most favoured treatment and non-competition and non-solicitation. The Pre-IPO Shareholders Agreement and such special rights except for right of redemption will terminate effective upon the Listing of the Company on the Stock Exchange. The right of redemption will be terminated immediately prior to the filing of an application to the Stock Exchange for the Listing of and for permission to deal in the securities of the Company (the "**Listing Application**"); and it shall be reinforced automatically in full force and effect upon the earliest of (a) the return of or rejection from the Stock Exchange or the SFC in relation to the Listing Application; (b) the Company serving a notice of withdrawal of its Listing Application to the Stock Exchange; or (c) the lapse of its Listing Application.

Information about the principal Pre-IPO Investors

Plum Venture is a limited partnership established under the laws of the PRC, the general partner of which is Ningbo Plum Angel Investment Management Co., Ltd. (寧波梅花天使投資管理有限公司) ("**Plum Angel**"). Plum Angel, a limited company incorporated under the laws of the PRC, is held as to 80%, 15% and 5% by Mr. Wu Shichun, Ms. Zhang Xiaoyan and Mr. Tang Yue, respectively. Ms. Zhang Xiaoyan and Mr. Tang Yue are Independent Third Parties. Mr. Wu Shichun is a director of NewBornTown Mobile Technology as of the Latest Practicable Date. Mr. Wu Shichun was appointed as a director of NewBornTown Network Technology in September 2014 and ceased to act as a director of NewBornTown Network Technology on 13 May 2019. Mr. Wu Shichun is a popular angel investor in the PRC, with plenty of investment experience in the internet industry by funds he controlled. Other than Mr. Wu Shichun holding approximately 15.25% of the economic interest in Plum Venture, the limited partners of Plum Venture encompass a group of Independent Third Parties, namely Mr. Ye Kai, Mr. Chen Qilin, Mr. Tan Shuwen, Mr. Tang Yue, Mr. Chen Hua, Mr. Hu Leiwan Cheng, Mr. Yu Guangdong, Mr. Xu Yirong, Mr. Zhang Jixiang, Mr. Cheng Hao and Mr. Chen Chaoren, who respectively holds approximately 7.61%, 7.61%, 7.61%, 7.61%, 7.61%, 7.61%, 7.61%, 7.61%, 7.61%, 7.61% and 6.55% of the economic interest in Plum Venture. Save as the foregoing, there is no limited partner holding more than 5% of the economic interest in Plum Venture. Plum Venture is principally engaged in industrial investment, investment management, investment consulting, business management consulting and financial consulting, with a primary focus in emerging companies in new economic sector, focussing on companies in mobile internet and information technology industries.

HISTORY AND CORPORATE STRUCTURE

Phoenix Fortune is a limited partnership established under the laws of the PRC, the general partner of which is Beijing Phoenix Fortune Innovation Investment Co., Ltd. (北京鳳凰財富創新投資有限公司), which is held as to 20% and 80% by Mr. Wu Shichun and Beijing Phoenix Fortune Holdings Group Co., Ltd. (北京鳳凰財富控股集團有限公司), which in turn controlled by Mr. Du Li, a shareholder of NewBornTown Mobile Technology. The limited partners of Phoenix Fortune are Hangzhou Maitian Trade Co., Ltd. (杭州邁田貿易有限公司) (“**Hangzhou Maitian**”) and Shenzhen Tongfang HowNet Technology Co., Ltd. (深圳同方知網科技有限公司) (“**Shenzhen Tongfang**”), who hold approximately 49.99% and 49.99% of the economic interest in Phoenix Fortune, respectively. Hangzhou Maitian is a limited liability company established under the laws of the PRC which is indirectly controlled by an Independent Third Party Mr. Lu Yuanhong. Hangzhou Maitian is principally engaged in, among other things, sales, industrial investment and enterprise management consulting. Shenzhen Tongfang is a limited liability company established under the laws of the PRC which is indirectly controlled by an Independent Third Party Ms. Li Yan. Shenzhen Tongfang is principally engaged in, among other things, research and development of electronic products, sales and other domestic trade. Phoenix Fortune is principally engaged in business of investment management, focussing on long-term equity investment projects in the new economic sector, including investment upgrading, overseas mobile services and internet finance industries.

Haitong Xinxi is a limited partnership established under the laws of the PRC, the general partner of which is Haitong Kaiyuan. Haitong Kaiyuan, a limited company incorporated under the laws of the PRC, is wholly owned by Haitong Securities Co., Ltd. (海通證券股份有限公司) (“**Haitong Securities**”). Haitong Securities is a joint stock limited company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange (Stock Code: 600837) and the Stock Exchange (Stock Code: 6837). The limited partners of Haitong Xinxi encompass a group of Independent Third Parties, namely Mr. Zhou Xiaojun, Mr. Gu Jianchun, Shanghai Huiyate Industrial Co., Ltd. (上海匯雅特實業有限公司) (“**Shanghai Huiyate**”), Ms. Yang Jianping, Mr. Miu Chengcheng and Ms. Chen Jia, who respectively holds approximately 25.86%, 11.31%, 9.70%, 7.43%, 7.11%, 6.46% of the economic interest in Haitong Xinxi. Shanghai Huiyate is a limited liability company established under the laws of the PRC which is controlled by an Independent Third Party Mr. Ma Jianping. Shanghai Huiyate is principally engaged in, among other things, industrial investment, investment management, asset management and sales. Save as the foregoing, there is no limited partner holding more than 5% of the economic interest in Haitong Xinxi. Haitong Xinxi is principally engaged in industrial investment, investment management and investment consulting, specialising investing in mobile internet companies. Haitong Kaiyuan is principally engaged in equity investment and equity-related debt investment, focussing on TMT, information technology, new energy, new materials, biomedical and advanced manufacturing industries.

HISTORY AND CORPORATE STRUCTURE

Mr. Huang Mingming is the founder of Future Capital. Mr. Huang Mingming holds the shares in NewBornTown Network Technology and NewBornTown Mobile Technology upon trust for Future Capital Discovery Fund I, L.P., and is entrusted to exercise certain shareholder rights on behalf of Future Capital Discovery Fund I, L.P.. Future Capital Discovery Fund I, L.P. is an exempted limited partnership established under the laws of the Cayman Islands, the general partner of which is Future Capital Discovery Fund GP, L.P.. The general partner of Future Capital Discovery Fund GP, L.P. is Future Capital Discovery Fund GP, Ltd.. The limited partners of Future Capital Discovery Fund I, L.P. and Future Capital Discovery Fund GP, L.P. encompass a group of Independent Third Parties (other than Mr. Wu Shichun). There is no beneficiary owner holds more than 15% interests in Future Capital Discovery Fund I, L.P.. Mr. Huang Mingming, acting as the duly authorised director of Future Capital Discovery Fund GP, Ltd., has rich investment experience in the PRC. Future Capital is principally engaged in venture capital business and mainly invests in the mobile internet industry.

Longwin Xinqu is a limited partnership established under the laws of the PRC, the general partner of which is Shanghai Longwin Capital Partners (General Partnership) (上海朗聞投資管理合夥企業(普通合夥)) (“**Longwin Capital**”). The general partner of Longwin Capital is Shanghai Longwin Asset Management Center (General Partnership) (上海朗聞資產管理中心(普通合夥)) (“**Longwin Asset**”), which is in turn controlled by Mr. Shen Kang through his capacity as general partner. The limited partners of Longwin Xinqu encompass a group of Independent Third Parties, none of which, other than Kashi Jinhaiwang Mining Co., Ltd. (喀什金海王礦業有限責任公司) (“**Kashi Jinhaiwang**”), Mr. Chen Shihong and Shanghai Longwin Hengzan Investment Partnership Enterprise (Limited Partnership) (上海朗聞恒瓚投資合夥企業(有限合夥)) (“**Longwin Hengzan**”), respectively holding approximately 40%, 25% and 25% of the economic interest in Longwin Xinqu, holds more than 5% of the interests in Longwin Xinqu. Kashi Jinhaiwang is a limited liability company established under the laws of the PRC, which is indirectly controlled by an Independent Third Party Mr. Yao Xiaohua. Kashi Jinhaiwang is principally engaged in, among other things, sales, planting and aquaculture. Longwin Hengzan is a limited partnership established under the laws of the PRC. The general partner of Longwin Hengzan is Longwin Capital, which is in turn controlled by Mr. Shen Kang through his capacity as the general partner of Longwin Asset, being the general partner of Longwin Capital. Longwin Hengzan is principally engaged in, among other things, investment, investment management, asset management, industrial investment and venture capital investment. Longwin Xinqu is principally engaged in businesses of investment management, asset management, industrial investment, venture capital, business management consulting and investment consulting, focussing on management consulting.

HISTORY AND CORPORATE STRUCTURE

Beijing Amphora is a limited liability company established under the laws of the PRC on 14 January 2014, which is held as to 60%, 5%, 20% and 15% by Sangzhuzi District Amphora Venture Capital Co., Ltd. (桑珠孜區安芙蘭創業投資有限公司) (“**Sangzhuzi Amphora**”), Shixin Ronghe Investment Management Co., Ltd. (世欣榮和投資管理股份有限公司) (“**Shixin Ronghe**”), Beijing Guotai Quntong Investment Holdings Co., Ltd. (北京國泰群同投資控股有限公司) (“**Guotai Quntong**”) and Zhongguancun Science Park Haidian Park Innovation Service Centre (中關村科技園區海澱園創業服務中心) (“**Zhongguancun Innovation**”), respectively, all of them being Independent Third Parties. Sangzhuzi Amphora is indirectly controlled by Ms. Zhou Weili, which is principally engaged in, among other things, business of equity investment. Shixin Ronghe is a professional investment company established under the laws of the PRC with limited liability, which is indirectly controlled by Beijing Federation of Supply and Marketing Cooperatives (北京市供銷合作總社). Guotai Quntong is a limited liability company established under the laws of the PRC, which is indirectly controlled by an Independent Third Party Mr. Zhang Hongxing, and is principally engaged in, among other things, real estate development, investment management and asset management. Zhongguancun Innovation is a non-profit public business incubator invested and established by the Management Committee of Zhongguancun Science Park Haidian Park (中關村科技園區海澱園管委會). Beijing Amphora is principally engaged in venture capital business, venture capital consulting business and entrepreneurship management service for start-up companies in mobile internet and information technology industries.

China Fuqiang is a limited partnership established under the laws of the PRC, the general partner of which is Fuqiang Capital Asset Management (Shenzhen) Equity Investment Fund Management Co., Ltd. (富強資管(深圳)股權投資基金管理有限公司) (“**Fuqiang Capital**”). Fuqiang Capital is indirectly wholly owned by China Fortune Financial Group Limited (中國富強金融集團有限公司), a limited company incorporated under the laws of Cayman Islands and listed on the Stock Exchange (Stock Code: 290). The limited partner of China Fuqiang is Fuqiang Consulting Service (Shenzhen) Co., Ltd. (富強諮詢服務(深圳)有限公司), holding 10% of the economic interest in China Fuqiang. China Fuqiang is principally engaged in business of equity investment, focussing on management consulting.

Universe is a limited liability company incorporated under the laws of Hong Kong on 18 March 2019, which is wholly owned by Ms. Liu Fuwei, an Independent Third Party. Universe is principally engaged in investment holding.

Our Directors are of the view that we could benefit from the additional capital provided by the Pre-IPO Investors, and their investment has demonstrated their confidence in our operation and serve as an endorsement of our performance strength and prospects.

HISTORY AND CORPORATE STRUCTURE

Confirmation from the Sole Sponsor

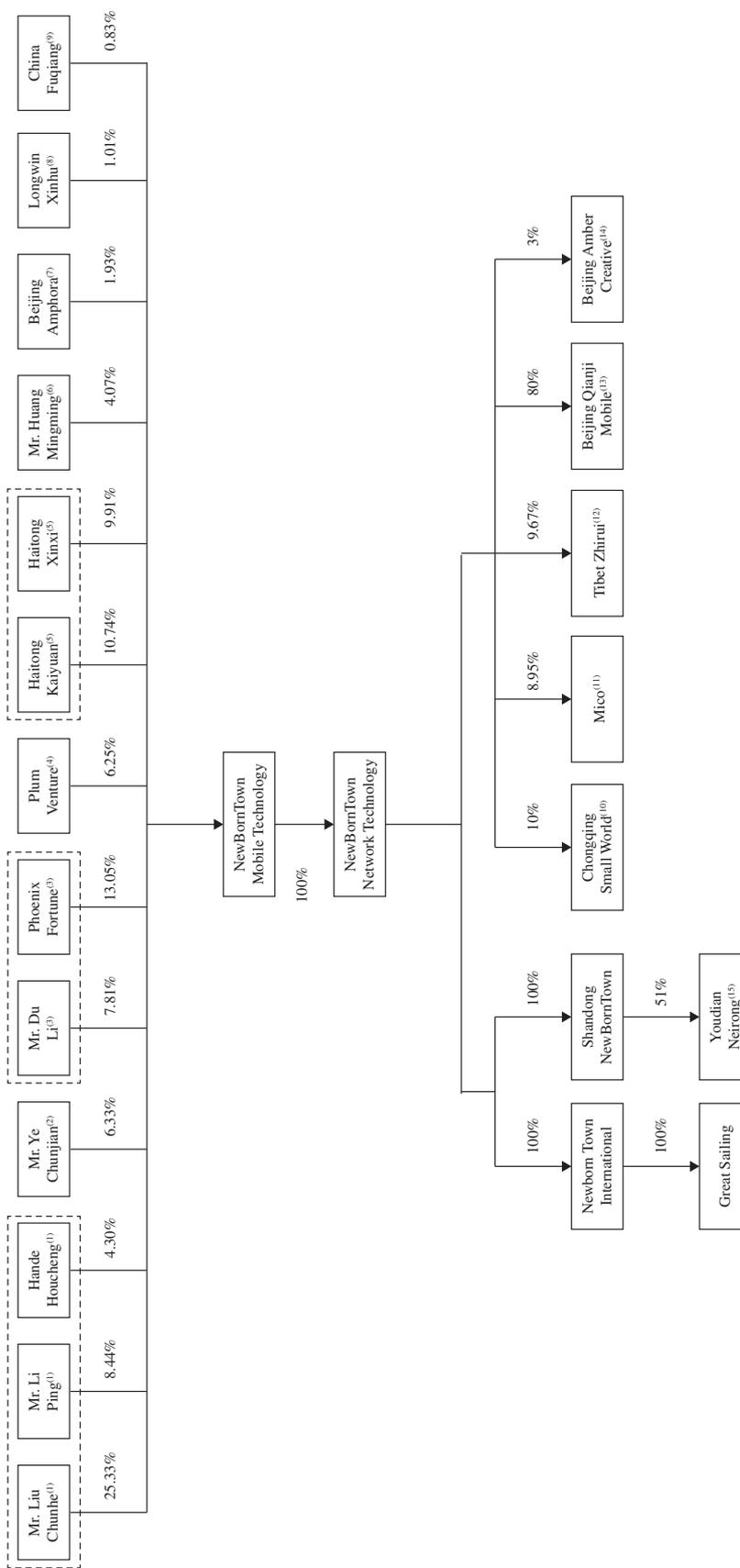
After reviewing the terms of the Pre-IPO Investments and the Pre-IPO Shareholders Agreement and given that (i) our Directors confirmed that the terms of the Pre-IPO Investment (including the consideration) were determined on arm's length basis, and (ii) there has been at least 120 days between the completion of the Pre-IPO Investments and/or the divestments (including the Repurchases as mentioned in the paragraph headed "2019 Share Repurchases" in this section) and the Listing, the Sole Sponsor has confirmed that the investment by the Pre-IPO Investors is in compliance with the applicable requirements under Guidance Letter HKEx-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

INVESTMENT IN MICO

With a view to creating synergies across our own businesses, in May 2016, NewBornTown Network Technology agreed to subscribe RMB25,536 registered capital representing 17.9% of the equity interest in Beijing Duanji with a consideration of RMB17.9 million. The consideration was determined with reference to the future prospects of Beijing Duanji and the consideration was fully settled in July 2016. Beijing Duanji entered into an absorption and merger agreement dated 1 April 2017 with Mico subsequently, pursuant to which Beijing Duanji was merged with Mico in May 2017. In March 2019, NewBornTown Network Technology subscribed additional RMB250,000 registered capital in Mico with a consideration of RMB100 million. The consideration was determined with reference to the future prospects of Mico and the consideration was fully settled in March 2019. Upon the completion of the Mico investment, we held an equity interest of approximately 16.77% in Mico as of the Latest Practicable Date. For further details of the Mico Investment, see "Business – Our Strategic Investment" in this prospectus.

REORGANISATION

The following chart sets forth the corporate structure immediately prior to the commencement of the Reorganisation and our investment in Mico in March 2019:



HISTORY AND CORPORATE STRUCTURE

Notes:

- (1) Mr. Liu Chunhe, Mr. Li Ping and Hande Houcheng entered into an acting in concert agreement in January 2017, pursuant to which, Mr. Liu Chunhe, Mr. Li Ping and Hande Houcheng agreed that they would act in concert in our Group with each other until the date when the said acting in concert agreement is terminated in writing by Mr. Liu Chunhe, Mr. Li Ping and Hande Houcheng.

On 9 October 2015, in order to recognise the performance of and provide incentive to Mr. Wang Kui, our executive Director and the chief financial officer, Mr. Liu Chunhe transferred 3.07% of the then equity interest in NewBornTown Mobile Technology to Mr. Wang Kui, and Mr. Liu Chunhe is entrusted to hold aforesaid 3.07% of the then equity interest in NewBornTown Mobile Technology on Mr. Wang Kui's behalf.

- (2) Mr. Ye Chunjian is a co-founder of the Group.
- (3) Phoenix Fortune is a limited partnership established under the laws of the PRC, the general partner of which is Beijing Phoenix Fortune Innovation Investment Co., Ltd. (北京鳳凰財富創新投資有限公司), which is held as to 20% and 80% by Mr. Wu Shichun and Beijing Phoenix Fortune Holdings Group Co., Ltd. (北京鳳凰財富控股集團有限公司) (“**Beijing Phoenix**”), controlled by Mr. Du Li through his 80% equity interest in Beijing Phoenix.
- (4) Plum Venture is a limited partnership established under the laws of the PRC on 19 May 2014, which is controlled by Mr. Wu Shichun through his 80% equity interest in Ningbo Plum Angel Investment Management Co., Ltd. (寧波梅花天使投資管理有限公司), the general partner of Plum Venture.
- (5) Haitong Xinxin is a limited partnership established under the laws of the PRC, the general partner of which is Haitong Kaiyuan. Haitong Kaiyuan, a limited company incorporated under the laws of the PRC, is wholly owned by Haitong Securities Co., Ltd. (海通證券股份有限公司) (“**Haitong Securities**”). Haitong Securities is a joint stock limited company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange (Stock Code: 600837) and the Stock Exchange (Stock Code: 6837).
- (6) Mr. Huang Mingming holds the shares in NewBornTown Mobile Technology upon trust for Future Capital Discovery Fund I, L.P., and is entrusted to exercise certain shareholder rights on behalf of Future Capital Discovery Fund I, L.P.. Future Capital Discovery Fund I, L.P. is an exempted limited partnership established under the laws of the Cayman Islands, the general partner of which is Future Capital Discovery Fund GP, L.P.. The general partner of Future Capital Discovery Fund GP, L.P. is Future Capital Discovery Fund GP, Ltd..
- (7) As at 29 January 2019, Beijing Amphora is a limited company incorporated under the laws of the PRC, which is held as to 15%, 45%, 5%, 20% and 15% by Beijing SME Services Centre (北京市中小企業服務中心), Sangzhuzi District Amphora Venture Capital Co., Ltd. (桑珠孜區安芙蘭創業投資有限公司), Shixin Ronghe Investment Management Co., Ltd. (世欣榮和投資管理股份有限公司), Beijing Guotai Quntong Investment Holdings Co., Ltd. (北京國泰群同投資控股有限公司) and Zhongguancun Science Park Haidian Park Innovation Service Centre (中關村科技園區海淀園創業服務中心), respectively.
- (8) Longwin Xinqu is a limited partnership established under the laws of the PRC, the general partner of which is Shanghai Longwin Capital Partners (General Partnership) (上海朗闊投資管理合夥企業(普通合夥)).
- (9) China Fuqiang is a limited partnership established under the laws of the PRC, the general partner of which is Fuqiang Capital Asset Management (Shenzhen) Equity Investment Fund Management Co., Ltd. (富強資管(深圳)股權投資基金管理有限公司) (“**Fuqiang Capital**”). Fuqiang Capital is indirectly wholly owned by China Fortune Financial Group Limited (中國富強金融集團有限公司), a limited company incorporated under the laws of Cayman Islands and listed on the Stock Exchange (Stock Code: 290).
- (10) The remaining equity interest in Chongqing Small World was held as to 90% by Mr. Wu Peng, an Independent Third Party.

HISTORY AND CORPORATE STRUCTURE

- (11) Right after the merger of Beijing Duanji and Mico, the remaining equity interest in Mico was held approximately as to 25.80% by Mr. Ye Chunjian, 9.05% and 9.00% by Tianjin Tonghe Chuangyuan Enterprise Management Consulting Centre (Limited Partnership) (天津通和創源企業管理諮詢中心(有限合夥)) (“**Tonghe Chuangyuan**”) and Ningbo Meishan Bonded Port Tonghe Chuangyuan Enterprise Management Centre (Limited Partnership) (“**Ningbo Tonghe Chuangyuan**”) (寧波梅山保稅港區通和創源企業管理中心(有限合夥)), respectively, both of which were controlled by Mr. Ye Chunjian through his capacity as executive partner, 2.75% by Mr. Wu Shichun, 2.50% by Ningbo Meihua Mingshi Investment Partnership Enterprise (Limited Partnership) (寧波梅花明世投資合夥企業(有限合夥)) (“**Meihua Mingshi**”), controlled by Mr. Wu Shichun through his 80% equity interest in the executive partner of Meihua Mingshi, 10% by Phoenix Fortune, 3.50% by Mr. Wang Xinming, the supervisor of Shandong NewBornTown, 19.35% by Ms. Cao Wen, an Independent Third Party, 3.50% by Mr. Wang Xiaobin, an Independent Third Party, and the remaining 5.60% equity interest in Mico is held by Mr. Zhang Qinglai, Mr. Ye Kai, Mr. Zhang Wenlong, Mr. Zhang Zhihe and Jiaxing Zizhi No. 1 Equity Investment Partnership Enterprise (Limited Partnership) (“**Jiaxing Zizhi**”) (嘉興自知一號股權投資合夥企業(有限合夥)), all being Independent Third Parties.
- (12) The remaining equity interest in Tibet Zhirui Venture Capital Enterprise (Limited Partnership) (西藏志睿創業投資企業(有限合夥)) (“**Tibet Zhirui**”) was held as to 32.25%, 29.06%, 16.12% and 12.90% by Shanghai Yueteng Internet Technology Co., Ltd. (上海悅騰網絡科技有限公司), Tibet Zhiyuzuo Venture Capital Management Centre (General Partnership) (西藏志與拙創業投資管理中心(普通合夥)), Shanghai Oudeli Equity Investment Management Partnership Enterprise (Limited Partnership) (上海歐得立股權投資管理合夥企業(有限合夥)) and Shanghai Pianyi Investment Management Co., Ltd. (上海翩逸投資管理有限公司), all being Independent Third Parties.
- (13) The remaining equity interest in Beijing Qianji Mobile Technology Co., Ltd. (北京千極移動科技有限責任公司) (“**Beijing Qianji Mobile**”) was held as to 20% by Mr. Chen Shuxing, an Independent Third Party.
- (14) Beijing Yunzhong Amber Technology Partnership Enterprise (Limited Partnership) (“**Yunzhong Amber**”) (北京雲中琥珀科技合夥企業(有限合夥)), Mr. Tang Cheng and Mr. Song Rui held approximately 35.00%, 30.63% and 21.88% of the equity interest in Beijing Amber Creative, respectively, and all of them are Independent Third Parties. Xingyuan Silicon Valley (Shenzhen) Venture Capital Growth Fund (Limited Partnership) (星元硅谷(深圳)創投成長基金(有限合夥)), Mr. Zhao Liang and Ms. Hua Qiong held 5.50%, 2.00% and 2.00% of the equity interest in Beijing Amber Creative, respectively, and all of them are Independent Third Parties.
- (15) The remaining equity interest in Fujian Youdian Neirong Culture Media Co., Ltd. (福建有點內容文化傳媒有限公司) (“**Youdian Neirong**”) was held as to 42% and 7% by Mr. Fan Lizhi and Mr. Lin Jinwen, and all of them are Independent Third Parties.

In preparation for the Listing and to streamline our corporate structure, we underwent the following Reorganisation.

Incorporation of Offshore Investment Holding Companies

Spriver Tech Limited

On 22 August 2018, Spriver Tech Limited was incorporated in the BVI with limited liability with an authorised share capital of US\$50,000.00 divided into 50,000 shares with a par value of US\$1.00 each. Spriver Tech Limited is principally engaged in investment holding. Upon incorporation, 50,000 shares were allotted and issued to Mr. Liu Chunhe at par.

HISTORY AND CORPORATE STRUCTURE

Parallel World Limited

On 24 August 2018, Parallel World Limited was incorporated in the BVI with limited liability with an authorised share capital of US\$50,000.00 divided into 50,000 shares with a par value of US\$1.00 each. Parallel World Limited is principally engaged in investment holding. Upon incorporation, 50,000 shares were allotted and issued to Mr. Li Ping at par.

Pixel Perfect Tech Limited

On 22 August 2018, Pixel Perfect Tech Limited was incorporated in the BVI with limited liability with an authorised share capital of US\$50,000.00 divided into 50,000 shares with a par value of US\$1.00 each. Pixel Perfect Tech Limited is principally engaged in investment holding. Upon incorporation, 50,000 shares were allotted and issued to Mr. Ye Chunjian at par.

Incorporation of our Company

On 12 September 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability and authorised share capital of US\$50,000.00, divided into 500,000,000 Shares of a par value of US\$0.0001 each. On the same day, the Company allotted and issued an aggregate of 100,000,000 ordinary Shares to Sertus Nominees (Cayman) Limited, Spriver Tech Limited, Parallel World Limited and Pixel Perfect Tech Limited at par value of US\$0.0001 each. One subscriber share was allotted and issued at par to Sertus Nominees (Cayman) Limited, our initial subscriber, who then transferred such share to Spriver Tech Limited. Upon completion of the allotment, issue and transfer, the shareholding structure of our Company is set out as below:

<u>Shareholder</u>	<u>Number of shares</u>	<u>Approximate percentage of Shareholding</u>
Spriver Tech Limited	63,167,000	63.17%
Parallel World Limited	21,047,000	21.05%
Pixel Perfect Tech Limited	15,786,000	15.79%
Total	100,000,000	100%

Spriver Tech Limited and Parallel World Limited transferred 7,978 Shares and 1,136 Shares to Pixel Perfect Tech Limited, respectively. The transfer had been properly and legally settled and completed with the register of members of our Company updated on 28 April 2019. The Company allotted and issued 10,715,817 Shares to Spriver Tech Limited and 41,572 Shares to Universe, respectively. The allotments had been properly and legally settled and completed with the register of members of our Company updated on 14 May 2019.

HISTORY AND CORPORATE STRUCTURE

Incorporation of offshore subsidiary

On 30 October 2018, Solo X Technology Limited was established in Hong Kong with the share capital of HK\$10,000.00 divided into 10,000 shares. Upon incorporation, 10,000 shares were allotted and issued to our Company. From its incorporation to the Latest Practicable Date, Solo X Technology Limited was 100% held by our Company. Solo X Technology Limited is the holding company of Shandong NewBornTown.

Onshore Reorganisation

In preparation for the Listing and to streamline our corporate structure and businesses, we underwent the following reorganisation in the PRC.

Disposal of Youdian Neirong

On 15 December 2018, NewBornTown Mobile Technology entered into an equity transfer agreement with Shandong NewBornTown, pursuant to which NewBornTown Mobile Technology transferred its 51% of the equity interest in Youdian Neirong to Shandong NewBornTown with a consideration of approximately RMB7.29 million. The consideration was determined based on arm's length negotiations between parties with reference to the registered capital contribution and the said equity transfer was completed in or around January 2019. Immediately before the Reorganisation, Shandong NewBornTown had held 51% of the equity interest in Youdian Neirong, the principal business of which is content-based e-commerce. Youdian Neirong serves as a downstream content provider for e-commerce platforms, focussing on generating, distributing and managing quality contents, such as user reviews and blog messages by some key opinion leaders, as a marketing strategy to attract and retain a clearly defined audience, ultimately influencing prospective users' purchasing behaviours, which is different from the principal business of our Group. As advised by our PRC Legal Adviser, Youdian Neirong had fully complied with all applicable laws and regulations before our Group's disposal of our interest therein as further described below. Considering that Youdian Neirong's principal business is different from our Group's principal business and for the purpose of streamlining the business of the Group, Shandong NewBornTown transferred its 51% equity interest to Beijing Zhonghe Tongrun Management and Consulting Co., Ltd. (北京中和通潤管理諮詢有限公司) ("**Zhonghe Tongrun**"), which was beneficially owned as to approximately 25.33%, 8.44%, 6.33%, 7.81%, 1.93%, 6.25%, 4.07%, 10.74%, 9.91%, 4.30%, 13.05%, 1.01% and 0.83% by Mr. Liu Chunhe, Mr. Li Ping, Mr. Ye Chunjian, Mr. Du Li, Beijing Amphora, Plum Venture, Mr. Huang Mingming, Haitong Kaiyuan, Haitong Xinxi, Hande Houcheng, Phoenix Fortune, Longwin Xinhua and China Fuqiang, respectively, as at the Latest Practicable Date. The consideration was RMB1, which was determined with reference to the agreed price between both parties under the business separation arrangement, pursuant to an equity transfer agreement dated 28 March 2019. As advised by our PRC Legal Adviser, the transfer had been properly and legally settled. The said transfer was completed in August 2019.

HISTORY AND CORPORATE STRUCTURE

Disposal of Beijing Qianji Mobile and Chongqing Small World

Before the Reorganisation, NewBornTown Network Technology had held 80% and 10% equity interest in Beijing Qianji Mobile and Chongqing Small World Network Technology Co., Ltd. (重慶小世界網絡科技有限公司) (“**Chongqing Small World**”), respectively. There was no actual business carried out by Beijing Qianji Mobile before the disposal. As advised by our PRC Legal Adviser, Beijing Qianji Mobile had fully complied with all applicable laws and regulations before the disposal. The principal business of Chongqing Small World was software development, system integration and data processing and storage services, and our Group, as a minority shareholder, had no control over and had not been involved in the management and operation of Chongqing Small World. As advised by our PRC Legal Adviser, Chongqing Small World was not involved in any material legal, regulatory, arbitral or administrative proceedings, investigations or claims before our Group’s disposal of our interest therein as further described below. Considering that Beijing Qianji Mobile’s and Chongqing Small World’s principal business is different from our Group’s principal business and for the purpose of streamlining the business structure of the Group, NewBornTown Network Technology transferred its 80% and 10% equity interest in Beijing Qianji Mobile and Chongqing Small World, respectively, to Ms. Hua Qiong, an Independent Third Party, with nil consideration, by taking into account the fact that Beijing Qianji Mobile was a dormant company since incorporation and Chongqing Small World recorded a loss at the time of the equity transfer and its future prospect pursuant to two equity transfer agreements dated 12 December 2018 and 20 December 2018. As advised by our PRC Legal Adviser, the transfers had been properly and legally settled. After the completion of the said transfers on 24 December 2018 and 27 February 2019 up to the Latest Practicable Date, we had no interest in Beijing Qianji Mobile and Chongqing Small World.

Disposal of Tibet Zhirui

Before the Reorganisation, NewBornTown Network Technology held a 9.67% partnership interest in Tibet Zhirui as a limited partner, and had no control over and had not been involved in the operation and management of such partnership. Tibet Zhirui is a private equity investment fund and a limited partnership established under the laws of the PRC, which is principally engaged in venture investments primarily in early growth stage companies in information technology and network technology industry. As advised by our PRC Legal Adviser, Tibet Zhirui was not involved in any material legal, regulatory, arbitral or administrative proceedings, investigations or claims before our Group’s disposal of our interest therein as further described below. Considering that Tibet Zhirui’s principal business is different from our Group’s principal business and for the purpose of streamlining the business structure of the Group, NewBornTown Network Technology transferred its 9.67% partnership interest to Zhonghe Tongrun at the consideration of RMB1, which was determined with reference to the agreed price between both parties under the business separation arrangement, pursuant to the partnership interest transfer agreement dated 28 March 2019. As advised by our PRC Legal Adviser, the transfers had been properly and legally settled.

HISTORY AND CORPORATE STRUCTURE

Transfer of Shandong NewBornTown

As a part of Reorganisation, pursuant to equity transfer agreement dated 9 April 2019, NewBornTown Network Technology and Universe transferred approximately 95.24% and 4.76% equity interests in Shandong NewBornTown to Solo X Technology, a wholly-owned subsidiary of our Company in Hong Kong, with a total consideration of the HK dollars equivalent to RMB10.5 million, which was determined with reference to the registered share capital of Shandong NewBornTown. As advised by our PRC Legal Adviser, the transfer had been properly and legally completed. After the completion of the said transfers on 9 April 2019 and up to the Latest Practicable Date, Shandong NewBornTown was converted into a wholly foreign owned enterprise and was held as to 100% by Solo X Technology. Shandong NewBornTown is the PRC holding company for the purpose of the Contractual Arrangements.

Business migration within the Group

As a part of Reorganisation, on 1 June 2019, NewBornTown Network Technology, Shandong NewBornTown and the Beijing Branch of Shandong NewBornTown (“**Beijing Branch**”) entered into asset transfer and personnel arrangement agreement, pursuant to which NewBornTown Network Technology transferred business operations in connection with mobile advertising platform service, including but not limited to business-related contracts, employment relationships and intellectual property rights, to Shandong NewBornTown and Beijing Branch. The consideration of the agreement was RMB290,532.05, among which, RMB7,783.29 shall be paid by Shandong NewBornTown and RMB282,748.76 shall be paid by Beijing Branch. As part of such arrangement, the relevant staff employments were transferred from NewBornTown Network Technology to Shandong NewBornTown and the Beijing Branch of Shandong NewBornTown. The business migration was substantially completed in June 2019.

Offshore Reorganisation

Pursuant to the share transfer agreement entered into between NewBornTown Network Technology and the Company dated 20 June 2019, NewBornTown Network Technology has transferred 100% of its shareholding in Newborn Town International to the Company at a consideration of HK\$10,000, which was determined with reference to the agreed price. The transfer had been properly and legally settled. Following the completion of the said transfers on 26 September 2019 and up to the Latest Practicable Date, Newborn Town International was a wholly-owned subsidiary of our Company.

HISTORY AND CORPORATE STRUCTURE

Reclassification of the Share Capital of our Company

On 22 June 2019, the authorised share capital of the Company was USD50,000.00 divided into 500,000,000 Shares of par value of USD0.0001 each. And the authorised share capital of the Company are reclassified and re-designated into:

Number	Class of shares	Share capital (US\$)
361,321,497	ordinary Shares of US\$0.0001 each	36,132.1497
50,021,431	Series A Preferred Shares of US\$0.0001 each	5,002.1431
86,578,786	Series B Preferred Shares of US\$0.0001 each	8,657.8786
2,078,286	Series C Preferred Shares of US\$0.0001 each	207.8286
500,000,000	Total	50,000.0000

All of the Preferred Shares will be converted to ordinary Shares of US\$0.0001 par value each upon completion of the Global Offering.

Allotment and Issue of Shares of our Company

On 22 June 2019, to largely mirror the shareholding structure of NewBornTown Mobile Technology immediately prior to the Reorganisation, the Company issued and allotted, in aggregate, 50,021,431 Series A Preferred Shares, 86,578,786 Series B Preferred Shares and 2,078,286 Series C Preferred Shares of the Company, par value US\$0.0001 per Share, to the following entities which are either Pre-IPO Investors or affiliates of respective Pre-IPO Investors. The rights of holders of different series of preferred Shares and ordinary Shares are governed by the Pre-IPO Shareholders Agreement. For more details please refer to the section headed “History and Corporate Structure – Pre-IPO Investment – Special rights of the Pre-IPO Investors”. The following table sets out the number and class of subscription shares and the consideration paid by the investors. The allotments had been properly and legally settled and completed with the register of member of our Company updated on 22 June 2019.

Subscriber	Number and class of shares subscribed for by the investor	Approximate % of shareholding	Subscription price (US\$)
Plum Venture	15,580,797 Series A Preferred Shares	6.25%	1,558.0797
Future Capital Discovery Fund I, L.P.	10,137,162 Series A Preferred Shares	4.06%	1,013.7162

HISTORY AND CORPORATE STRUCTURE

Subscriber	Number and class of shares subscribed for by the investor	Approximate % of shareholding	Subscription price (US\$)
Phoenix Wealth Investment (Holdings) Limited	19,481,355 Series A Preferred Shares	7.81%	1,948.1355
ICO STORE INC	4,822,117 Series A Preferred Shares	1.93%	482.2117
Phoenix Auspicious FinTech Investment L.P.	32,557,630 Series B Preferred Shares	13.05%	3,255.7630
Hash Global Management Company Ltd.	2,520,360 Series B Preferred Shares	1.01%	252.0360
Haitong Kaiyuan	26,789,541 Series B Preferred Shares	10.74%	2,678.9541
Haitong Xinxi	24,711,255 Series B Preferred Shares	9.91%	2,471.1255
CHUANGQI INTERNATIONAL LIMITED	2,078,286 Series C Preferred Shares	0.83%	207.8286
	Total	<u>55.59%</u>	<u>13,867.8503</u>

2019 Share Repurchases

On 22 June 2019, the Company entered into a share repurchase agreement with Phoenix Auspicious FinTech Investment L.P. (“**Phoenix Auspicious**”), pursuant to which, among other things, the Company agreed to repurchase 6,880,990 Series B Preferred Shares of the Company from Phoenix Auspicious (“**Repurchase Shares I**”) with a consideration of RMB100 million. The consideration was determined based on the initial investment cost plus an investment return calculated based on the weighted average investment amount and an agreed investment return rate. The share repurchase was fully completed and settled on 26 June 2019. Upon completion of the said share repurchase, the Repurchase Shares I had been cancelled by the Company, and Phoenix Auspicious holds 25,676,640 Series B Preferred Shares, representing 11.10% of the equity interest, in the Company after the cancellation.

On 26 June 2019, the Company entered into share repurchase agreements with Haitong Kaiyuan and Haitong Xinxi, respectively, pursuant to which, among other things, the Company agreed to repurchase 5,622,349 Series B Preferred Shares and 5,622,349 Series B Preferred Shares of the Company from Haitong Kaiyuan and Haitong Xinxi, respectively, (“**Repurchase Shares II**”) with a consideration of RMB30 million and RMB30 million, respectively. The consideration was determined based on the initial investment cost plus an investment return calculated based on the weighted average investment amount and an agreed investment return rate. The share repurchase was fully completed and settled on 9 July 2019. Upon completion of the said share repurchase, the Repurchase Shares II had been cancelled by the Company, and

HISTORY AND CORPORATE STRUCTURE

Haitong Kaiyuan and Haitong Xinxi hold 21,167,192 Series B Preferred Shares and 19,088,906 Series B Preferred Shares, representing 9.15% and 8.25% of equity interest, in the Company after the cancellation, respectively.

Implementation of the Contractual Arrangements

For the implementation of the Contractual Arrangements, a series of structured contracts were entered into on 26 June 2019 with respect to the contractual arrangements of the NewBornTown Mobile Technology and PRC Equity Holders with Shandong NewBornTown details of which are set out in section headed “Contractual Arrangements” in this prospectus.

RSU Schemes

We adopted the Employee RSU Scheme on 11 December 2019 to incentivize employees and consultants (not being core connected persons of the Company under Listing Rules) for their contribution to the Group. Consultants refers to any person that provides research, development, consultancy and other technical or operational support to the Group and have contributed or will contribute to the Group. On 11 December 2019, the Company issued 9,365,745 Shares (representing approximately 3.77% of the total issued share capital of our Company as of the date of the adoption of the RSU Scheme) to Three D Partners Limited, a wholly-owned subsidiary of the Employee RSU Trustee. We adopted the Management RSU Scheme on 11 December 2019 to incentivize directors, senior management and officers of the Company or its subsidiaries for their contribution to the Group. On 11 December 2019, the Company issued 8,000,000 Shares (representing approximately 3.22% of the total issued share capital of our Company as of the date of the adoption of the RSU Scheme) to Bridge Partners Limited, a wholly-owned subsidiary of the Management RSU Trustee. The maximum number of Shares which may be granted under the RSU Schemes is 60,335,566 (after taking into consideration of adjustment pursuant to the Capitalisation Issue), representing approximately 6.03% of the issued share capital of our Company immediately upon completion of the Capitalisation Issue and Global Offering, assuming the Over-allotment Option is not exercised. The Shares underlying RSUs will be granted based on the contribution of the Employee RSU Participants and Management RSU Participants to the Group and the overall business performance of the Group. No RSUs will be granted by our Company pursuant to the RSU Schemes before the Listing or within the three months immediately following the completion of Global Offering. The grant of Shares under the RSU Schemes will not involve any issue of new Shares or purchase of existing Shares after the Listing Date, which therefore will not incur a dilution of the shareholding of our Shareholders immediately following the Listing. For details and principal terms of the RSU Schemes, please refer to “Statutory and General Information – E. RSU Schemes” in Appendix IV to this prospectus.

HISTORY AND CORPORATE STRUCTURE

Notes:

- (1) Spriver Tech Limited is an investment holding company wholly owned by Mr. Liu Chunhe. Mr. Liu Chunhe is an executive Director and the founder of the Group. The Shares allotted to and held by Spriver Tech Limited have reflected the shareholding of Hande Houcheng, a limited partnership wholly-controlled by Mr. Liu Chunhe which was planned to be the platform for employee share incentive but subsequently redesignated as the purely holding vehicle wholly-controlled by Mr. Liu Chunhe, in NewBornTown Mobile Technology.
- (2) Parallel World Limited is an investment holding company wholly owned by Mr. Li Ping. Mr. Li Ping is an executive Director and a co-founder of the Group.
- (3) Pixel Perfect Tech Limited is an investment holding company wholly owned by Mr. Ye Chunjian. Mr. Ye Chunjian is a co-founder of the Group.
- (4) Gingko Kik Limited is an investment holding company wholly owned by Mr. Wang Kui. Mr. Wang Kui is an executive Director of the Company. On 28 April 2019, Spriver Tech Limited transferred 6,580,753 Shares of our Company to Gingko Kik Limited with nil consideration and the trust arrangement between Mr. Liu Chunhe and Mr. Wang Kui on 9 October 2015 has therefore been unwinded.
- (5) Phoenix Wealth Investment (Holdings) Limited is an investment holding company incorporated in BVI with limited liability, which is wholly owned by Mr. Du Li, a shareholder of NewBornTown Mobile Technology.

Phoenix Auspicious FinTech Investment L.P. is an exempted limited partnership established under the laws of Cayman Islands, the general partner of which is Phoenix Wealth (Cayman) Asset Management Limited, an exempted company incorporated under the laws of Cayman Islands. Phoenix Wealth (Cayman) Asset Management Limited is wholly owned by Phoenix Wealth (Hong Kong) Asset Management Limited, a limited company incorporated under the laws of Hong Kong, which is in turn wholly owned by Mr. Du Li, a shareholder of NewBornTown Mobile Technology.

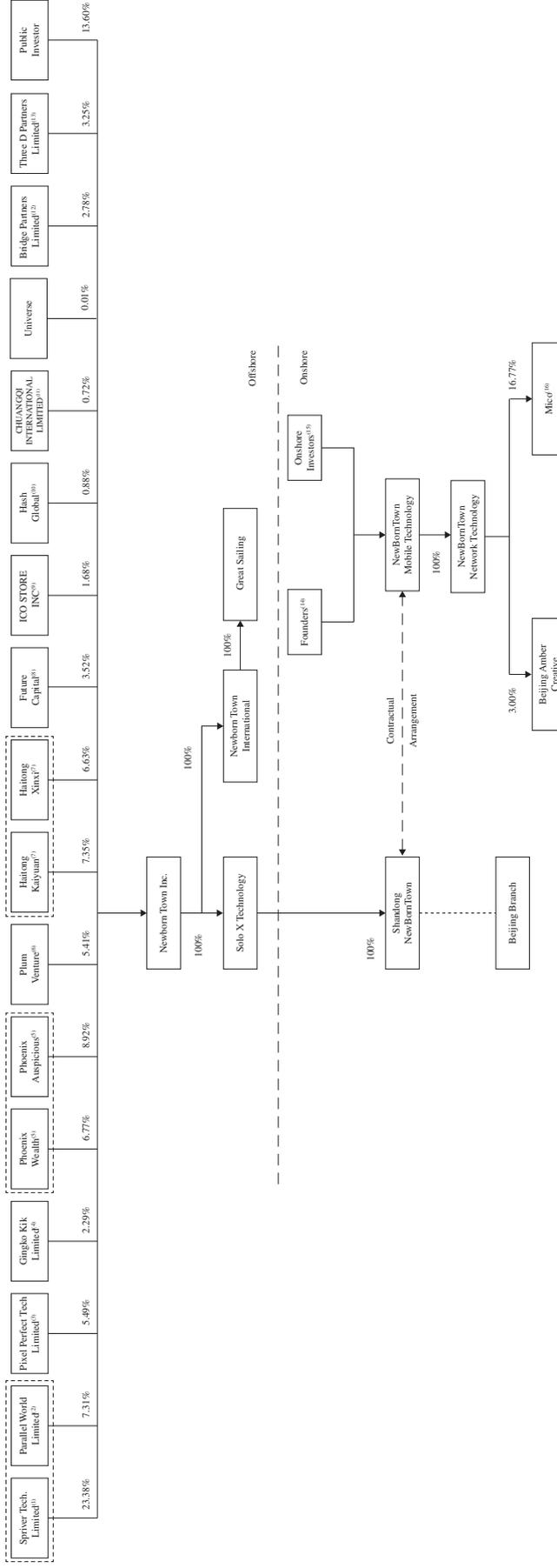
- (6) Plum Venture is a limited partnership established under the laws of the PRC. The general partner of Plum Venture is Ningbo Plum Angel Investment Management Co., Ltd. (寧波梅花天使投資管理有限公司), which is controlled by Mr. Wu Shichun.
- (7) Haitong Kaiyuan is a limited company established under the laws of the PRC. Haitong Xinxi is a limited partnership established under the laws of the PRC and controlled by Haitong Kaiyuan through its capacity as general partner. For further details, please refer to sub-section headed “Pre-IPO Investment” and note(4) to the group chart under sub-section headed “Reorganisation” in this section.
- (8) Future Capital Discovery Fund I, L.P. (“**Future Capital**”) is an exempted limited partnership established under the laws of the Cayman Islands, the general partner of which is Future Capital Discovery Fund GP, L.P.. The general partner of Future Capital Discovery Fund GP, L.P. is Future Capital Discovery Fund GP, Ltd..
- (9) ICO STORE INC is an investment holding company wholly owned by Ms. Zhou Weili, who, in turn, indirectly controls 60% of the interest in Beijing Amphora. Beijing Amphora is a limited company established under the laws of the PRC and is a shareholder of NewBornTown Mobile Technology. Beijing Amphora is a limited company incorporated under the laws of the PRC, which is held as to 60%, 20% 15% and 5% by Sangzhuzi District Amphora Venture Capital Co., Ltd. (桑珠孜區安芙蘭創業投資有限公司), Beijing Guotai Quntong Investment Holdings Co., Ltd. (北京國泰群同投資控股有限公司), Zhongguancun Science Park Haidian Park Innovation Service Centre (中關村科技園區海澱園創業服務中心) and Shixin Ronghe Investment Management Co., Ltd. (世欣榮和投資管理股份有限公司), respectively.
- (10) Hash Global Management Company Ltd. (“**Hash Global**”), incorporated in BVI with limited liability, is an investment holding company wholly owned by Shanghai Longwin Asset Management Center (General Partnership) (上海朗聞資產管理中心(普通合夥)), which is the general partner of Shanghai Longwin Capital Partners (General Partnership) (上海朗聞投資管理合夥企業(普通合夥)) (“**Longwin Capital**”). Longwin Capital is the general partner of Longwin Xinhu, a shareholder of NewBornTown Mobile Technology.

HISTORY AND CORPORATE STRUCTURE

- (11) CHUANGQI INTERNATIONAL LIMITED, incorporated in BVI with limited liability, is an investment holding company wholly owned by China Fortune Financial Group Limited (中國富強金融集團有限公司) (“China Fortune”), a limited company incorporated under the laws of Cayman Islands and listed on the Stock Exchange (Stock Code: 00290). China Fortune indirectly holds 100% of the equity interest in Fuqiang Asset Management (Shenzhen) Equity Investment Fund Management Co., Ltd. (富強資管(深圳)股權投資基金管理有限公司), which is the general partner of China Fuqiang, a shareholder of NewBornTown Mobile Technology.
- (12) Bridge Partners Limited is a wholly-owned subsidiary of the Management RSU Trustee. No RSUs will be granted by our Company pursuant to the Management RSU Scheme before the Listing or within the three months immediately following the completion of Global Offering. The participants and beneficiaries of the Management RSU Scheme include directors, senior management and officers of the Company or any of their subsidiaries who may include core connected persons of the Company. As such, Bridge Partners Limited and the Management RSU Trustee are deemed core connected persons of the Company and the Shares held by Bridge Partners Limited underlying the Management RSU Scheme are not counted as part of the public float of the Company for the purposes of the Rules 8.08 and 8.24 of the Listing Rules.
- (13) Three D Partners Limited is a wholly-owned subsidiary of the Employee RSU Trustee. No RSUs will be granted by our Company pursuant to the Employee RSU Scheme before the Listing or within the three months immediately following the completion of Global Offering. As such, Three D Partners Limited and the Employee RSU Trustee are not core connected persons of the Company under Listing Rules and the Shares held by Three D Partners Limited underlying the Employee RSU Scheme are counted towards public float of the Company for the purposes of Rules 8.08 and 8.24 of the Listing Rules.
- (14) Our founder, Mr. Liu Chunhe, for himself and on behalf of Mr. Wang Kui, holds approximately 25.33% of the equity interest, and our co-founders Mr. Li Ping and Mr. Ye Chunjian holds approximately 8.44% and 6.33% of the equity interest, respectively.
- (15) Onshore investors are Mr. Du Li, holding approximately 7.81% of the equity interest, Beijing Amphora, holding approximately 1.93% of the equity interest, Plum Venture, holding approximately 6.25% of the equity interest, Mr. Huang Mingming, holding approximately 4.07% of the equity interest on trust for Future Capital Discovery Fund I, L.P., Haitong Kaiyuan, holding approximately 10.74% of the equity interest, Haitong Xinxin, holding approximately 9.91% of the equity interest, Phoenix Fortune, holding approximately 13.05% of the equity interest, Longwin Xinqu, holding approximately 1.01% of the equity interest, China Fuqiang, holding approximately 0.83% of the equity interest, and Hande Houcheng, holding approximately 4.30% of the equity interest, in NewBornTown Mobile Technology.
- (16) The remaining equity interest in Mico was held approximately as to 23.27% by Mr. Ye Chunjian, 8.01% and 7.96% by Tianjin Tonghe Chuangyuan Enterprise Management Consulting Centre (Limited Partnership) (“Tonghe Chuangyuan”) (天津通和創源企業管理諮詢中心(有限合夥)) and Ningbo Meishan Bonded Port Tonghe Chuangyuan Enterprise Management Centre (Limited Partnership) (“Ningbo Tonghe Chuangyuan”) (寧波梅山保稅港區通和創源企業管理中心(有限合夥)), both were controlled by Mr. Ye Chunjian through his capacity as executive partner, 2.43% by Mr. Wu Shichun, 2.21% by Ningbo Meihua Mingshi Investment Partnership Enterprise (Limited Partnership) (寧波梅花明世投資合夥企業(有限合夥)) (“Meihua Mingshi”), controlled by Mr. Wu Shichun through his 80% equity interest in the executive partner of Meihua Mingshi, 2.65% by Ningbo Meishan Bonded Port Beichen Xinshineng Equity Investment Partnership Enterprise (Limited Partnership) (寧波梅山保稅港區北辰新勢能股權投資合夥企業(有限合夥)) (“Beichen Xinshineng”), controlled by Mr. Wu Shichun through his 78% equity interest in the executive partner of Beichen Xinshineng, 8.85% by Phoenix Fortune, 3.10% by Mr. Wang Xinming, the supervisor of Shandong NewBornTown, 17.12% by Ms. Cao Wen, an Independent Third Party, 3.10% by Mr. Wang Xiaobin, an Independent Third Party, and the remaining 4.52% equity interest in Mico is held by Mr. Zhang Wenlong, Mr. Zhang Qinglai, Mr. Ye Kai, and Jiaxing Zizhi No. 1 Equity Investment Partnership Enterprise (Limited Partnership) (“Jiaxing Zizhi”) (嘉興自知一號股權投資合夥企業(有限合夥)), all being Independent Third Parties.
- (17) Please note that the percentage of shareholding in the above shareholding structure may not add up to 100% due to rounding.

Simplified Corporate Structure of our Group immediately after the Global Offering

The chart below illustrates the corporate structure and shareholding structure of our Group immediately after the completion of the Global Offering:



Notes:

- (1) – (16) Please refer to the details contained in sub-section headed “Simplified Corporate Structure of our Group immediately after the Reorganisation” in this section.
- (17) Upon completion of the Listing, each of Pixel Perfect Tech Limited, Future Capital, ICO STORE INC, Hash Global, CHUANGQI INTERNATIONAL LIMITED, Universe and Three D Partners Limited shall not be considered as a core connected person of our Company and accordingly in aggregate approximately 15.55% of our issued Shares, together with the Offer Shares, will count towards part of the public float pursuant to the Rule 8.24 of the Listing Rules.
- (18) Please note that the percentages may not add up to 100% due to rounding.

HISTORY AND CORPORATE STRUCTURE

Public float

Upon completion of the Listing, the Shares held by certain of our Shareholders who are directly, or are indirectly controlled by, our core connected persons, namely each of Spriver Tech Limited, Parallel World Limited, Gingko Kik Limited, Phoenix Wealth, Phoenix Auspicious, Plum Venture, Haitong Kaiyuan, Haitong Xinxi and Bridge Partners Limited shall be considered as a core connected person of our Company and accordingly in aggregate approximately 70.84% of our issued Shares will not count towards part of the public float pursuant to the Rule 8.24 of the Listing Rules.

Save as provided above, upon completion of the Listing, each of Pixel Perfect Tech Limited, Future Capital, ICO STORE INC, Hash Global, CHUANGQI INTERNATIONAL LIMITED, Universe and Three D Partners Limited shall not be considered as a core connected person of our Company and accordingly in aggregate approximately 15.55% of our issued Shares, together with the Offer Shares, will count towards part of the public float pursuant to the Rule 8.24 of the Listing Rules.

PRC LEGAL COMPLIANCE

As advised by our PRC Legal Adviser, we have obtained and completed all the requisite approvals, registrations and/or filings formalities in all material aspects from the relevant PRC government authorities in respect of the Reorganisation, and the Reorganisation to the extent that PRC laws are applicable, has complied with the applicable laws and regulations in the PRC.

SAFE Registration

Pursuant to the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and in Return Investment Via Special Purpose Companies (《關於境內居民通過特殊目的境外投融資及返程投資外匯管理有關問題的通知》) (the “Circular No. 37”) promulgated by the SAFE and came into force on 4 July, 2014, a PRC citizen residing in the PRC or an overseas individual who does not hold a Chinese identity document but has a habitual residence in China due to economic interests (a “PRC Resident”) must register with the local branch of SAFE before he contributes legal assets or equity interests in China or overseas in an overseas special purpose vehicle, which is directly incorporate or indirectly controlled by the PRC Resident for the purpose of overseas investment or financing.

Pursuant to the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for 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 “Circular No. 13”) promulgated by the SAFE and came into force on 1 June, 2015, SAFE cancelled the foreign exchange registration approval under overseas direct investment. The banks would review and carry out foreign exchange registration under overseas direct investment directly, and SAFE and its branches shall implement individual supervision over foreign exchange registration of overseas direct investment via the banks.

HISTORY AND CORPORATE STRUCTURE

As confirmed by our PRC Legal Adviser, the ultimate registered Shareholders of our Company, namely Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian have completed the foreign exchange registrations on 18 April 2019 respectively pursuant to Circular No. 37 and Circular No. 13 in relation to their offshore investments as PRC residents.

M&A Rules

According to Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investor (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”) jointly promulgated by the MOFCOM, State-Owned Assets Supervision and Administration Commission of the State Council, SAT, CSRC, SAIC and SAFE on 8 August, 2006, came into force on 8 September, 2006 and amended on 22 June, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among others, further require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing 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 PRC companies in exchange for the shares of offshore companies.

Pursuant to Interim Administrative Measures for the Filing of the Incorporation and Change of Foreign-invested Enterprises (the “Measures”) promulgated by the MOFCOM on 29 June, 2018, where a non-foreign-invested enterprise changes into a foreign-invested enterprise due to acquisition, consolidation by merger or otherwise, which is subject to filing as stipulated in the Measures, it shall file and submit the filing information on the incorporation of foreign-invested enterprises simultaneously while going through the registration procedures for incorporation with the competent administrations for industry and commerce and market supervision.

Our PRC Legal Adviser is of the opinion that prior CSRC approval for this offering or prior MOFCOM approval for the Reorganisation is not required because (i) Shandong NewBornTown was already a sino-foreign equity joint venture company prior to its indirect acquisition by our Company which was completed on 9 April 2019, therefore the Reorganisation is not subject to Article 11 of the M&A Rules, and (ii) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules.

OVERVIEW

We are a fast-growing mobile app developer and mobile advertising platform services provider based on AI technologies. We generate revenue mainly from the traffic monetisation of our self-developed mobile apps and the provision of mobile advertising services to advertisers as an ad agency through our proprietary advertising platform.

Our history can be traced back to 2011, when our founder Mr. Liu Chunhe started his business as a mobile app developer. In May 2013, we launched our first mobile app Solo Launcher, which serves as a user interface for Android device users and was designed to provide a simpler and faster user experience with their devices. Solo Launcher achieved a certain degree of popularity in different parts of the world and remained one of our core products for attracting mobile device users as of the Latest Practicable Date. By 31 December 2018, it had achieved daily ranking No. 1 by downloads at least once in the “personalisation apps” category of Google Play in 89 countries and regions such as France, Israel, Singapore and Brazil according to the iResearch Report.

Based on the popularity of Solo Launcher, we developed more mobile device utilities apps such as screen locker, antivirus and battery management apps. In 2017 we started to launch mobile apps in other categories such as media & entertainment, fitness and games, thereby forming an app matrix later named “Solo X”. By 30 June 2019, we had attracted more than 796.8 million global users in terms of device ID to our apps cumulatively. While all our utilities apps are built on, and operate only in, the Android system, our other apps also include iOS apps. During the Track Record Period, all our apps were offered for free download in online app stores such as Google Play and App Store. We generate revenue from our apps mainly by way of selling in-app ad spaces to advertisers, thereby monetising the online traffic generated by our apps.

Leveraging our app user base, we entered into the mobile advertising industry and built our own programmatic mobile advertising platform, later named “Solo Math”. The first module of Solo Math was launched in October 2014. Solo Math attracts and processes requests from advertisers and matches them with publishers to effect mobile advertising transactions through online procedures automated by computer programmes. We charge advertisers for traffic acquisition and pay publishers for publishing advertisers’ ads on their apps’ ad spaces. Through five years of research and development, we added different modules and functions to our Solo Math platform and enhanced its efficiency through AI technologies.

We take up a small share in the large global mobile app and programmatic mobile advertising markets. According to the iResearch Report, in 2018, the scale of the global mobile app market amounted to US\$365.2 billion, with the top five players in the market taking up approximately 61.7% of the market share in terms of advertising and in-app purchase revenue. The market share of our proprietary apps in terms of revenue in the global mobile app market in 2018 was approximately 0.004%. In 2018, the scale of global programmatic mobile advertising market amounted to US\$60.7 billion, with the top one and top two players in the

market taking up approximately 28.2% and 5.9% of the market share in terms of revenue, respectively. The market share of our programmatic mobile advertising platform in terms of revenue in the global mobile app market in 2018 was approximately 0.04%.

We have developed our own AI engine named “Solo Aware”, which features big data analytics and machine learning technologies. Solo Aware collects a large amount of data from both our Solo X product matrix and our Solo Math advertising platform. It analyses such data and generate insights into mobile device users and advertisers. This allows us to upgrade our apps to optimise user experience in our proprietary app traffic monetisation business on the one hand, and to achieve precision targeting of matching users for ad delivery in our provision of mobile advertising platform services on the other hand. The aggregation of data from both of our business lines allows us to achieve a deeper understanding of mobile device users through cross-referencing the two data sets, thereby generating a synergy effect of our two business lines.

Proprietary App Traffic Monetisation (“Solo X”)

We develop a variety of mobile apps to acquire users and offer them to mobile device users free-of-charge in exchange for mobile traffic that we monetise by selling in-app ad spaces to advertisers. We provide wide-ranging and diversified apps to mobile device users to achieve a smooth and customised user experience covering diverse mobile usage scenarios. We organise our Solo X products into four sub-matrices, namely User System, Fitness, Media & Entertainment and Games. We have developed various apps in each sub-matrix to create a tailored experience for the users’ specific needs. We engage our users and improve user experience through our portfolio of popular apps, frequent content updates and optimisation with the support of our AI technologies. Our apps have attracted mobile users from more than 200 countries and regions, mainly in Asia, Americas and Europe.

During the Track Record Period, all of our apps were offered for free download in app stores such as Google Play and App Store. Most of our apps do not have in-app purchases and generate revenue for us only from selling in-app ad spaces. A few of our game apps offer in-app purchases of premium functions and virtual items. Throughout the Track Record Period, in-app purchases represented less than 1% of our total revenue.

We carry out our proprietary app traffic monetisation through the following steps:

- We collect and analyse the data from app stores and other third-party mobile app analytics platforms to gain insights into the trends and developments in the global app market;
- We develop an app and promote it by in-app cross promotion within our Solo X product matrix and also by marketing our brand, products and services globally to mobile internet users primarily through top global internet companies acting as ad agencies; and

BUSINESS

- We monetise the traffic generated by such app mainly through mobile advertising. We sell ad spaces within such app to third party advertisers, whose ads are presented in such app to its users. We charge our advertisers by the number of impressions of the ads delivered, meaning the number of times such ads have been viewed by or displayed to mobile device users.

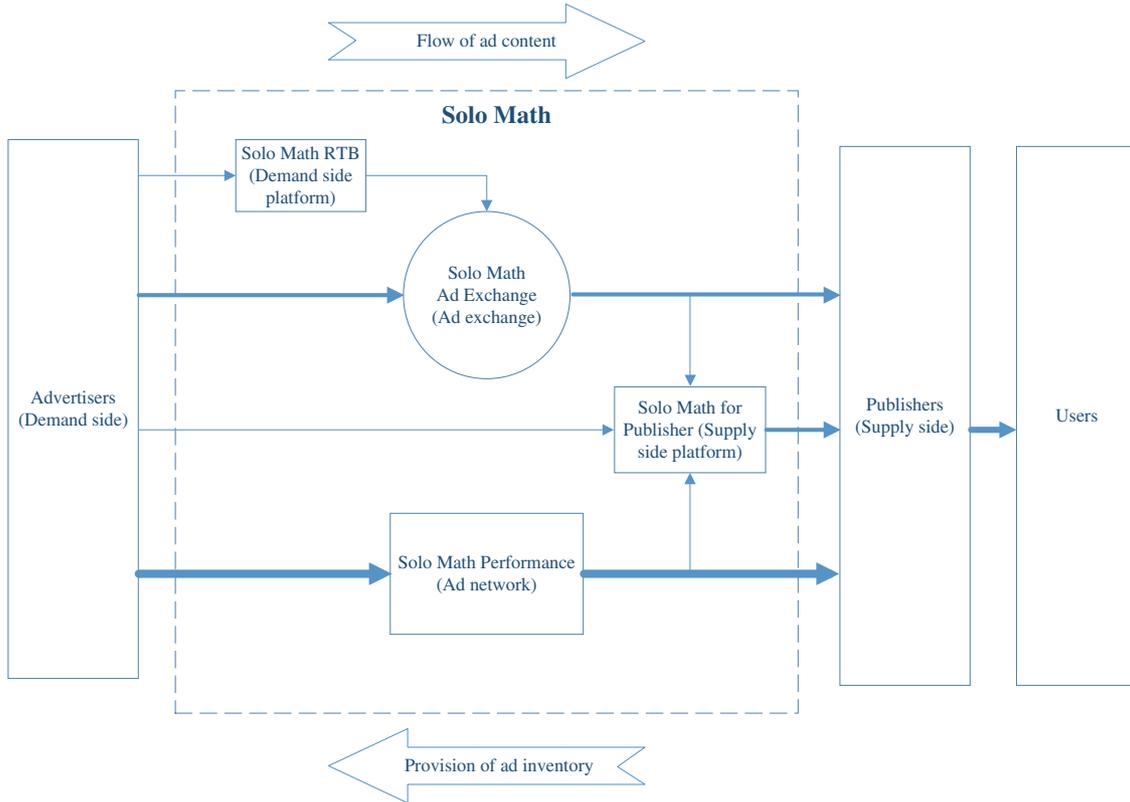
Our monetisation ability is driven by the growth of our apps' user base, our insight into user interests and demands based on data collection and analysis, and the precision targeting of the preferred audience for specific content in a variety of usage scenarios based on AI technologies. The number of average daily impressions delivered on our apps increased from 4.3 million in 2016 to 11.6 million in 2018, representing a CAGR of 65.5%, and increased by 314.8% from the first half of 2018 to the first half of 2019. Our revenue from proprietary app traffic monetisation increased from RMB23.9 million in 2016 to RMB92.9 million in 2018, representing a CAGR of 97.2%, and increased from RMB36.8 million in the first half of 2018 to RMB114.5 million in the first half of 2019. The significant increases in both the average daily impressions and revenue from monetising our apps in the first half of 2019 were mainly a result of our continued efforts to develop, launch and promote new apps, in particular in the PRC in cooperation with a newly established third party ad network for the traffic monetisation of our apps in the PRC.

Mobile Advertising Platform Services (“Solo Math”)

In addition to monetising our own apps through the sale of in-app ad spaces, we serve as an ad agency and provide mobile traffic acquisition services to advertisers through our proprietary programmatic mobile advertising platform Solo Math. As we purchase ad inventories from publishers for resale to advertisers through Solo Math, we are effectively also providing a monetisation service to publishers, in that they can use Solo Math to sell their in-app ad spaces, although we do not charge publishers directly for such service. The programmatic mobile advertising industry value chain includes four types of key modules, namely the demand side platforms, supply side platforms, ad exchanges and ad networks, while Solo Math has all of these four modules.

BUSINESS

The flowchart below illustrates how the four modules of our Solo Math platform function:



Our Solo Math functions like an AI-powered supermarket of mobile and online ad spaces, or “ad inventories”. Publishers place their ad inventories in the supermarket, advertisers bid for the ad inventories that meet their ad campaign parameters and specific marketing demands and Solo Math employs automated procedures to settle the transactions. The key functions of Solo Math are aggregating ad inventories from publishers and matching them with advertisers’ demand by employing a central ad server to deliver and present ads to internet users, which enables targeting, tracking and reporting of impressions or actions.

Each time an internet user sees a delivered ad on the host app, or clicks the ads and completes certain actions (such as installing the advertised app), this is deemed a valuable impression or user acquisition for the advertiser. We charge advertisers, and pay publishers, using pricing models commonly seen in the mobile advertising industry, such as cost per action or cost per thousand impressions, and recognise our charges to advertisers as the revenue and the charges by publishers as the cost of advertising placement.

BUSINESS

Our revenue from programmatic advertising and related business increased rapidly from RMB58.5 million in 2016 to RMB172.8 million in 2018, representing a CAGR of 71.9%, and slightly decreased from RMB73.4 million in the first half of 2018 to RMB69.8 million in the first half of 2019 mainly due to a decrease in the revenue generated via the SP module, which was partially offset by an increase in the revenue generated via the SAX module. Consistent with industry norm according to iResearch, SP as an ad network mainly connects small- and medium-sized publishers to the best of our Directors' knowledge. Our Directors believe that our advertisers reduced their advertising spending via the SP module in the first half of 2019 in view of uncertainties in the global and local economies. Subsequent to the Track Record Period and up to 31 October 2019, the revenue generated via both SP and SAX recorded increases compared with the same period in 2018 based on our unaudited management accounts.

Our AI Engine (“Solo Aware”)

Both our Solo X product matrix and Solo Math advertising platform are empowered by our proprietary AI engine, Solo Aware. Solo Aware is designed to serve as a central back-end system to store, process and analyse device data through big data and machine learning technologies. Its goal is to distribute the right content to the right users. Leveraging our user data base accumulated through our Solo X product matrix and our Solo Math advertising platform, Solo Aware enables us to extract useful information from our datasets, deliver targeted responses to users, and provide more efficient solutions to advertisers and publishers. We have developed machine learning models that can be used to analyse billions of changing device feature data and implement new model updates every ten seconds, thereby adapting on a real-time basis to actual device data to optimise content distribution. We also use a highly scalable and reliable third-party IT infrastructure, which supports and optimises our operations to allow us to distribute ads to devices in more than 200 countries and regions with an average response time of approximately 20 milliseconds.

Benefiting from the rapid growth of the programmatic mobile advertising business during the Track Record Period and a significant growth of our mobile app monetisation in 2018, our total revenues increased from RMB136.9 million in 2016 to RMB276.7 million in 2018, representing a CAGR of 42.2%, and our total revenue increased from RMB116.7 million in the six months ended 30 June 2018 to RMB184.4 million in the six months ended 30 June 2019; our gross profit increased from RMB70.9 million in 2016 to RMB141.4 million in 2018, representing a CAGR of 41.2%, and our gross profit increased from RMB56.4 million in the six months ended 30 June 2018 to RMB122.9 million in the six months ended 30 June 2019.

COMPETITIVE STRENGTHS

A synergetic business model empowered by complementary proprietary app traffic monetisation and mobile advertising platform

As the developer of various types of mobile apps in Solo X product matrix, we have built expertise in mobile apps operations and obtained in-depth knowledge of user data. Through years of innovation, research and development of mobile apps, we keep close track of the evolution of users interests, study user behavioural data and engagement patterns and understand user preferences through multi-dimensional data analysis. Since the launch of our Solo Launcher in 2013 and by 30 June 2019, we had attracted more than 796.8 million global users cumulatively.

Leveraging the experience of developing, marketing and monetising the mobile apps in our Solo X product matrix, we understand the developers' need of both user acquisition and monetisation. Our mobile advertising platform:

- provided monetisation services for approximately 765,200 apps directly or indirectly in 2018, reaching and covering the largest number of apps amongst the proprietary platforms of PRC mobile advertising companies focussing on providing overseas mobile marketing services, according to the iResearch Report;
- in 2018, for the top 50 mobile internet companies ranked by number of global app downloads, we provided mobile advertising platform services to 37 of them and such coverage ranked us ahead of the programmatic advertising platform businesses of all other PRC mobile advertising companies focussing on providing overseas mobile marketing services, according to the iResearch Report.

Leveraging our user data accumulated through Solo X product matrix and Solo Math advertising platform, Solo Aware enables us to extract useful information from our datasets, deliver targeted responses to users, and provide more efficient solutions to advertisers and publishers. Solo Aware carries mature computational methods and cost-effective computing power for us to process and draw insights from data by exercising data mining, machine learning and model training in different usage scenarios.

We believe our synergetic business model gives us competitive advantages in the following aspects: (i) for mobile app development, our database and data analytics capabilities enable us to identify, study and understand the differences in users' demand, thus developing new products, optimising current products to improve user experience and increasing the monetisation efficiency with target advertising strategies; and (ii) for mobile advertising platform services, the continuous development and interaction of both the user acquisition and monetisation sides of our ecosystem provides us with additional data and insight to train our AI models to improve their accuracy and performance, thereby increasing the effectiveness of our services and contributing to the sustainability of our growth; (iii) our experience and

growth in mobile app development and the provision of mobile advertising platform services can further enhance the quality and size of our database which in turn help to facilitate the function of Solo Aware, and create a virtuous cycle within our business model.

Diversified product offerings and fast growing global user base

We have achieved significant global user scale through our proprietary Solo X product matrix, which is a series of apps and widgets developed to provide smooth and customised user experience covering diverse usage scenarios such as user system, fitness, media, entertainment and games. We believe high quality and well-operated mobile apps are key to our success, allowing us to attract a large number of users and accumulate a rich library of user profile. We provide wide-ranging and diversified mobile apps to users in more than 200 countries and regions. We organise our Solo X products into four sub-matrices, and have developed a suite of apps in each sub-matrix to create tailored experience for the users' specific needs. We engage our users and improve user experience through our portfolio of popular apps, frequent content updates and optimisation. Through our multi-dimensional data analysis engine Solo Aware, we are able to gain user insights and effectively cater to different user needs.

By 30 June 2019, our Solo X product matrix attracted more than 796.8 million global users in terms of device ID cumulatively. One of our core products Solo Locker was named Google Play Best Apps of 2015. According to the iResearch Report, by 31 December 2018, our User System apps Solo Launcher had achieved daily ranking No. 1 by downloads at least once in the "personalisation apps" category of Google Play in 89 countries and regions such as France, Israel, Singapore and Brazil and DIY Locker had achieved daily ranking No. 1 by downloads at least once in the "personalisation apps" category of Google Play in 40 countries and regions such as Germany, India, New Zealand and Argentina; our 3D sport games Archery Champ had achieved daily ranking top 10 by downloads at least once in the "games" category for iPhone in App Store in 45 countries and regions such as Spain, India and South Africa by 31 December 2018; and our game Beetles.io had achieved daily ranking top 10 by downloads at least once in the "games" category of Google Play in 16 countries and regions such as the United Kingdom, Canada, Sweden and Singapore by 31 December 2018.

We have four sub-matrices covering different user scenarios to reach and engage wide user base and employ an unbundling strategy to design apps suite in each sub-matrix to enhance user stickiness and increase user online time. Based on our user insights, we aim to identify large and fast-growing groups of mobile device users with unmet or emerging interests and demands. We developed a portfolio of other Solo X products and services through apps and widgets, establishing our sub-matrix system and aiming to further improve the functionality, performance and personalisation of mobile devices following our user-centric and data-driven approach. The apps in Solo X product matrix complement each other and enrich users' experience. We promote our Solo X products through in-app cross promotion to further expand our user base. The users of apps in our Solo X product matrix are provided with convenient in-app recommendation of and access to other complementary Solo X products, which create a strong network and synergy effect to cross-market our Solo X products. As Solo Launcher integrates certain functions of the Android operating system and serves as an operating

interface between the Android operating system and mobile users, our User System sub-matrix plays a key role in the recommendation of the apps in other sub-matrices. Our Solo Aware AI technologies enable us to analyse user data and offer precise content recommendation of apps and information to improve user engagement.

A leading programmatic advertising platform covering the value chain of mobile advertising industry

We started to build our mobile advertising platform in 2014 and are one of the pioneer companies in the PRC to enter into the global mobile advertising market. Through five years of research and development efforts on the AI technologies and big data analytics of the mobile advertising platform, we have a competitive advantage in the provision of mobile advertising platform services covering the full industry value chain to connect advertisers and publishers channelled through various platforms. We were awarded “Global Brand Leadership Award” in the 2019 Global AI Marketing Leaders’ Summit, “The Best Overseas Platform” and “The Best Going Global Platform” by Global Mobile Internet Conference for our mobile advertising platform services.

Through continued efforts in building and refining our supply and demand side platforms that integrate the upstream and downstream of the mobile advertising industry, we have established four modules in our Solo Math platform, namely the Solo Math Ad Exchange, Solo Math Performance, Solo Math For Publisher and Solo Math RTB. It enables us to further enhance our ability of resource integration and to improve our value proposition as an advertising service provider for advertisers and publishers worldwide. By participating in full coverage of the mobile advertising industry value chain, we are able to better understand market trends and demands, enhance the stability of our business model and improve our ability to access the upstream and downstream resources.

Along with the development of the mobile advertising industry, programmatic advertising has become increasingly prevalent as an effective means of transacting ad inventories in the mobile advertising industry. Leveraging our programmatic mobile advertising platform Solo Math based on global mainstream industry standards such as OpenRTB, we believe we are well-positioned to capture the growing opportunities in programmatic advertising. We believe that the integration of our four programmatic advertising modules, which can aggregate and direct ad traffic and improve efficiencies, will help us to meet different demands from advertisers, diversify the ways of cooperation with publishers, accumulate more data input to train our AI model and improve the performance and precision in our target advertising offering.

Robust big data and advanced AI capabilities based on practical scenarios

Our robust big data and AI capabilities based on practical scenarios enable us to expand and optimise our Solo X product matrix and to achieve better performance for our advertisers’ ad deliveries and campaigns and greater monetisation efficiency for our publishers.

Solo Aware is our proprietary AI engine, and it is the core to achieve accurate information distribution. Solo Aware has the following key technology strengths:

- *Data collection.* We collect data from different sources, including data from the usage of mobile apps in Solo X product matrix and the data directly related to ad requests and deliveries processed on Solo Math advertising platform. Our data assets include device-specific information, data tracked through the ad delivery process and behavioural data such as purchasing habits and subscription.
- *Data processing.* We have independently developed data compression system, which enables us to complete stateless data collection, design data storage solution and conduct multi-dimensional data mining. We cleanse raw data into more meaningful and structured data to train our AI models. Through machine learning that continually analyses billions of ad requests, we can monitor actual device data and ad performance on a real-time basis and adapt timely and rapidly to achieve performance improvements.
- *Intelligent distribution.* Solo Aware is able to use different models for testing, select the optimal model for prediction and continue optimising such model for distribution, whereby optimising our mobile app development and target advertising technologies.

We are dedicated to investing in research and development to continuously improve our technology. We had a research and development team of 79 full-time employees as at 30 June 2019, constituting approximately 43.6% of our employees. In the three years ended 31 December 2016, 2017 and 2018 and in the six months ended 30 June 2019, we incurred research and development expenses of RMB2.6 million, RMB11.5 million, RMB17.5 million and RMB9.5 million, respectively.

Fast growing and high-quality global advertiser base and a sizable network of publishers

Our rapidly-growing and global advertiser base mainly consists of app developers, brand advertisers and ad agencies. As at 31 December 2018, for the global top 50 mobile internet companies ranked by global app downloads, our advertiser base covered 37 of them; for the global top 50 mobile internet companies ranked by total revenue generated by their apps, our advertiser base covered 38 of them; such coverage ranked us ahead of the programmatic advertising platform businesses of all other PRC mobile advertising companies focussing on providing overseas mobile marketing services, according to the iResearch Report. In addition, for the global top 100 advertisers in terms of global advertising spending in 2018, we provided mobile marketing services to 87 of them, according to the iResearch Report. We provided user acquisition services to approximately 165,300 apps in 2018 and 319,900 apps in the first half of 2019 directly or indirectly through our proprietary ad exchange. Our advertisers include well-known apps operating in various industries such as e-commerce, games, social networking and other types of apps. Our business model in the cooperation with not only app developers

BUSINESS

and brand advertisers but also ad agencies help us build a broad and stable coverage of different advertisers and maintain a healthy financial position as ad agencies would typically make payments on behalf of the advertisers they represent in a timely manner.

During the Track Record Period, our advertiser coverage continued to expand, and our total revenue from mobile advertising platform and related business had been increasing year by year. Our advertiser base covered 26, 30, 38 and 30 countries and regions in 2016, 2017 and 2018 and in the first half of 2019 based on our internal categorisation of the advertisers, respectively. We maintain a multi-tier coverage of media, which enables us to offer one-stop cross-media user acquisition services for advertising campaigns, and enables our advertisers to manage their advertising budgets and optimise the performance of their ad deliveries.

Our publisher base is diversified geographically. Our Solo Math platform can reach mobile devices from more than 200 countries and regions. We provided monetisation services for approximately 765,200 apps directly or indirectly through our proprietary ad exchange in 2018, reaching and covering the largest number of apps amongst the PRC mobile advertising companies focussing on providing overseas mobile marketing services. In the first half of 2019, we provided monetisation services to approximately 1.29 million apps directly or indirectly through our proprietary ad exchange. Our publisher network directly or indirectly covers a variety of well-known app developers, including developers of games, e-commerce, media, social networking, news and other types of apps.

Visionary, experienced and stable management team

Our founder Mr. Liu Chunhe and co-founder Mr. Li Ping, possess in-depth understanding of the mobile internet industry with over eight years of experience in technologies, big data and mobile internet industries. They have led us to establish an innovative business model, maintain technology-driven development strategies and realise fast growing revenue in the mobile internet industry. They have been in collaboration for many years, which ensures our stable development. Other members of our management team have prior experience at well-known enterprises such as China International Capital Corporation Limited and Beijing Kingsoft Internet Security Software Co., Ltd. Their valuable experience enables us to identify and seize emerging opportunities, expand cooperation networks and enhance our competitiveness in the industry.

We believe that our experienced management team plays an important role in our success and possess the vision to seize market opportunities, formulate sound business strategies and respond expediently to industry trends. We are therefore confident that our management team will continue to lead us to innovate, excel and succeed as a PRC company with global influence.

BUSINESS STRATEGIES

Our mission is to precisely connect mobile internet users and information. To that end, we plan to implement the following strategies:

Continue to upgrade Solo Aware and strengthen our data and technology advantages

We have been dedicated to and will continue our research and development efforts in developing our AI technologies and applications. We aim to further invest in our development of advanced technologies including data mining, machine learning, natural language processing and neural networks. We intend to invest in more computational resources that power our Solo Aware AI engine and improve Solo Aware's ability of data cognition, data perception, data planning and data recommendation.

Continue to enrich and expand Solo X product matrix and expand our user base

In order to expand our user base and deepen our global presence, we strive to maintain our existing user base and to attract new users. We intend to expand the sub matrices to broader and more comprehensive app categories to satisfy the users' various and increasing demands for better mobile apps. We also plan to develop and launch new mobile apps that are individually designed to target new groups of users from different countries and regions that have distinct interests and demands for content and information. We intend to improve the monetisation ability of our Solo X product matrix by exploring different monetisation methods such as improving the ratio of paying users.

Reinforce our programmatic Solo Math advertising platform

We will further expand the scale and scope of our business with advertisers and publishers and strengthen our service coverage in the mobile advertising industry value chain. We plan to explore technologies to improve the precision targeting, ad quality optimisation, anti-fraud mechanism of our advertising platform. We aim to improve the user interface and processing efficiency of Solo Math and provide customised services to our advertisers and publishers. We also aim to strengthen our ability to provide programmatic advertising services and reach more advertisers and publishers by investing in increasing and optimising workflow automation and improving precision targeting abilities of our Solo Math advertising platform.

Expand our localised service and distribution network

We aim to become a company with global influence and we will continue enhancing our local service capabilities in the countries and regions where we operate, while expanding our global coverage to increase the scope and depth of our global cooperation with app developers. We intend to expand our local teams dedicated to marketing and business relationship building to understand the differentiated culture backgrounds and business models in each region and better serve the demands of local app developers. We will seek to enhance our overseas local service capabilities to strengthen our overseas market presence in key local markets. We will further explore cross-region opportunities as the regional and global competition among technology companies and app developers intensifies and the demand for user acquisition, monetisation and mobile analytics escalates.

Attract, retain and cultivate excellent employees

We have devoted efforts to build our research and development and operation team and will continue to establish a talented employee base in areas such as big data, AI technologies and product development. We strive to maintain a supportive atmosphere and rewarding incentive mechanism that attracts great talent, offer professional training programmes and inspires our employees to realise their potential. We believe that a versatile and experienced management team and employees will provide us with significant advantages in the rapidly evolving market and continue to drive our innovation and growth.

Explore strategic investments and acquisitions opportunities

We intend to pursue strategic investment or acquire businesses that are complementary to our current businesses which can help strengthen and scale our operations and enhance our business reputation. We aim to target companies that have competitive strengths in technology, data and other areas or participants in the upstream and downstream industries to further strengthen our competitive position in the mobile advertising and mobile analytics industries. We believe our relationship with key industry participants and our experience in mobile internet industry will assist us in making sound investment and acquisition decisions.

After the Track Record Period and up to the Latest Practicable Date, saved as disclosed in sub-section headed “Our Strategic Investment” in this section, we had not engaged in any negotiation or entered into any letter of intent or agreement for acquisition nor identified any definite acquisition or investment target.

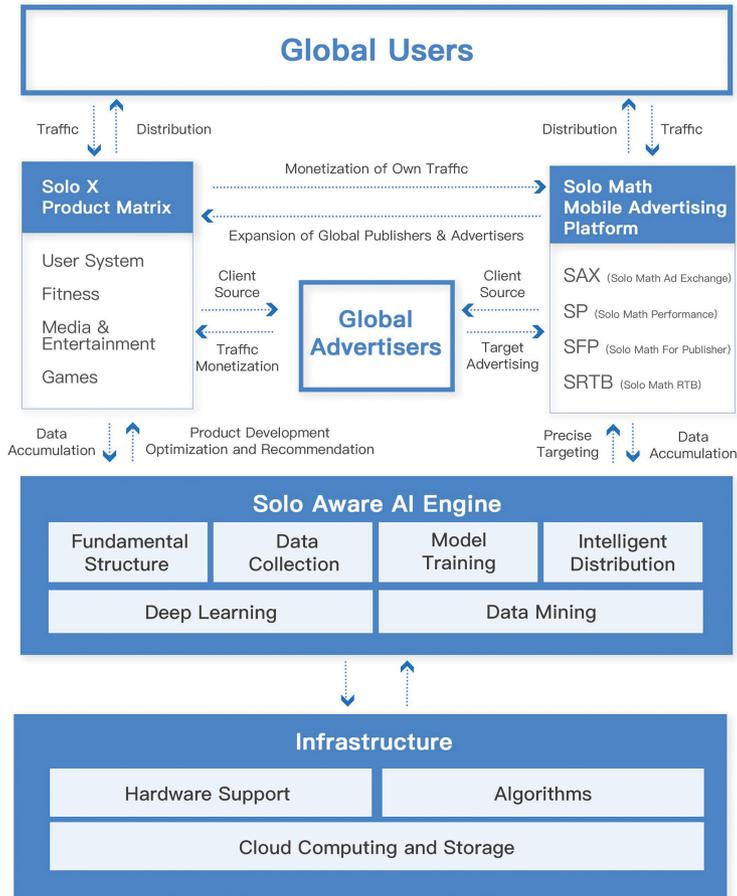
BUSINESS OPERATIONS

Our businesses primarily consist of proprietary app traffic monetisation business and mobile advertising platform and related business. Since the establishment of our business in 2011, we have been engaging in the development of a series of mobile apps, known as Solo X product matrix, for use on both the Android operating system and iOS. These mobile apps provide rich functionality and extensive personalisation to the users of mobile devices. Leveraging the experience of developing, marketing and monetising our mobile apps, we further developed our mobile advertising platform services which connect the advertisers' demand for user acquisition and the publishers' demand for monetisation primarily through our proprietary Solo Math mobile advertising platform powered by our Solo Aware big data analytics and AI technologies. While a majority of our revenue was generated from our mobile advertising platform and related business for the three years ended 31 December 2018 due to, amongst others, the Solo Aware big data analytics and AI technologies employed in our proprietary advertising platform, our persistent commitment in the development and operation of our mobile apps to expand our user base and improve the monetisation efficiency of our mobile apps contributed to the growth of the revenue generated from our proprietary app traffic monetisation business and its proportion in our total revenue. The revenue derived from our proprietary app traffic monetisation as a percentage of our total revenue increased to approximately 62.1% for the six months ended 30 June 2019. Based on the current information of the market and operation available to us, we foresee that the proprietary app traffic monetisation business will continue to play a significant role in our business.

Our PRC Operating Entities are responsible for our daily business operation, and entering into business contracts with, and receiving payments from customers and making payments to suppliers in the PRC, while our HK Operating Entities are responsible for entering into business contracts with, and receiving payments from customers and making payments to suppliers outside the PRC. We adopt the arrangement of using HK Operating Entities to contract and bill with our customers and suppliers located outside the PRC to facilitate the transactions since the transactions are billed in foreign currencies such as US dollars. Although our HK Operating Entities are responsible for contracting and billing with the customers and suppliers outside the PRC, they do not provide services to our customers or receive services from our suppliers and are not involved in the management or operation of our business. During the Track Record Period, our HK Operating Entities therefore filed offshore tax exemption for such profits from our principal operation, which in turn are not taxable in Hong Kong pursuant to the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong). Meanwhile, during the Track Record Period, since we carried our business operation through our PRC Operating Entities, we had included all the profits from the principal operation of our Group in ascertaining the assessable profits of the PRC Operating Entities. Our Directors confirm we did not receive any tax inquiries in material aspect or undergo any investigation by the respective tax authorities in PRC and Hong Kong during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

The following diagram illustrates the synergy of our Solo ecosystem:



BUSINESS

The following table sets forth a breakdown of our revenue by business line during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Mobile advertising platform and related business ⁽¹⁾	112,953	82.5	154,162	84.8	183,762	66.4	79,878	68.4	69,907	37.9
Proprietary app traffic monetisation business	23,899	17.5	27,680	15.2	92,924	33.6	36,824	31.6	114,460	62.1
Total	136,852	100.0	181,842	100.0	276,686	100.0	116,702	100.0	184,367	100.0

Note:

- (1) Related business mainly includes the provision of mobile advertising software upgrade and optimisation services upon request of our customers.

The following table sets forth a breakdown of our gross profit and gross profit margin by business line during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin
Mobile advertising platform and related business ⁽¹⁾	56,684	50.2	50,586	32.8	55,755	30.3	22,167	27.8	14,800	21.2
Proprietary app traffic monetisation business	14,219	59.5	19,788	71.5	85,665	92.2	34,192	92.9	108,074	94.4
Total	70,903	51.8	70,374	38.7	141,420	51.1	56,359	48.3	122,874	66.6

Note:

- (1) Related business mainly includes the provision of mobile advertising platform upgrade and optimisation services upon request of our customers.

Solo X Product Matrix

We provide diversified mobile apps to users in more than 200 countries and regions. Our Solo X product matrix is a series of apps and widgets developed to provide smooth and customised user experience covering diverse usage scenarios. We have four sub-matrices designed in accordance with the categories of users' habits of utilising mobile apps, which cover different user scenarios to reach and engage wide user base and we believe our unbundling strategy of designing apps suite in each sub-matrix can enhance user stickiness and increase user online time. The development, design, operation and maintenance of our mobile apps are generally organised and managed by sub-matrix. Our unbundling strategy can attract and retain users by meeting each particular aspect of a user's demands by offering a suite of mobile apps in a certain app category instead of operating only one individual app and it also allows us to market our mobile apps through in-app cross promotion within the sub-matrices to enlarge our user base. We believe such strategy enables us to expand and maintain our user base by attracting and retaining users on a sub-matrix consisting of various apps rather than on several individual apps because (i) instead of targeting a specific group of users, our mobile apps with different detailed features and themes are designed to accommodate to different habits and requirements of a broader users group, and can reduce our risk of reliance on several individual apps; (ii) we can attract more targeted users when launching several apps in a sub-matrix around the same time; and (iii) we are able to mitigate the risks of losing users when an individual app becomes outdated.

Based on the four Solo X sub-matrices, we had launched over 80 mobile apps, including but not limited to launcher, security, anti-virus, music, entertainment, fitness and games apps on the Android operating system and/or iOS since 2019 and up to the Latest Practicable Date. During the Track Record Period, all of our apps were offered for free download in app stores such as Google Play and App Store or in other platforms and some of our mobile apps, in particular the games apps offered in-app purchases of premium functions and virtual items to users. We may, in certain cases, generate revenue from our mobile apps, after they are no longer available for download, by delivering ads to their retained active users.

For the proprietary app traffic monetisation business, we primarily generated revenue from the sale of ad inventories of our Solo X products, while the revenue from in-app purchases accounted for a small portion of the total revenue of the proprietary app traffic monetisation business during the Track Record Period. For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, the proportion of revenue from the traffic monetisation to the total revenue generated from proprietary app traffic monetisation business was approximately 99.97%, 99.73%, 97.39% and 98.57%, respectively. By 30 June 2019, our Solo X product matrix attracted more than 796.8 million global users in terms of device ID cumulatively. The following tables set forth a general summary of the geographic

BUSINESS

distribution of the users' of our Solo X product matrix by 30 June 2019 and the average MAUs of our mobile apps by geographic regions (classified by the same categorisation of our users' geographic distribution) for the periods indicated during the Track Record Period:

	By 30 June 2019	
	Total Users⁽¹⁾	Percentage
	(in millions)	(%)
Asia (excluding mainland China)	274.1	34.4
North America ⁽²⁾	230.4	28.9
Europe ⁽³⁾	105.3	13.2
South America ⁽⁴⁾	90.6	11.4
Rest of the world ⁽⁵⁾	49.8	6.2
Mainland China	46.6	5.9
Total	796.8	100.0

	For the year ended 31 December			For the six months ended 30 June
	2016	2017	2018	2019
	(in millions)			
Asia (excluding mainland China)	48.3	34.8	38.2	48.9
North America ⁽²⁾	14.2	17.8	39.1	63.6
Europe ⁽³⁾	15.4	11.2	15.0	17.3
South America ⁽⁴⁾	10.1	8.8	14.7	20.4
Rest of the world ⁽⁵⁾	7.2	4.0	5.5	4.0
Mainland China	3.9	2.6	2.1	9.8
Total	99.1	79.2	114.5	164.0

Notes:

- (1) Data is based on the IP address location of each device ID and the geographical distribution is classified based on the Company's internal categorisation.
- (2) Includes United States and Mexico, among others.
- (3) Includes United Kingdom, France and Spain, among others.
- (4) Includes Brazil, Colombia and Venezuela, among others.
- (5) Includes Egypt and Madagascar, among others.

BUSINESS

The following table sets forth a breakdown of our revenue from proprietary app traffic monetisation business by geographic regions of our customers, which are mainly advertisers, for the periods indicated:

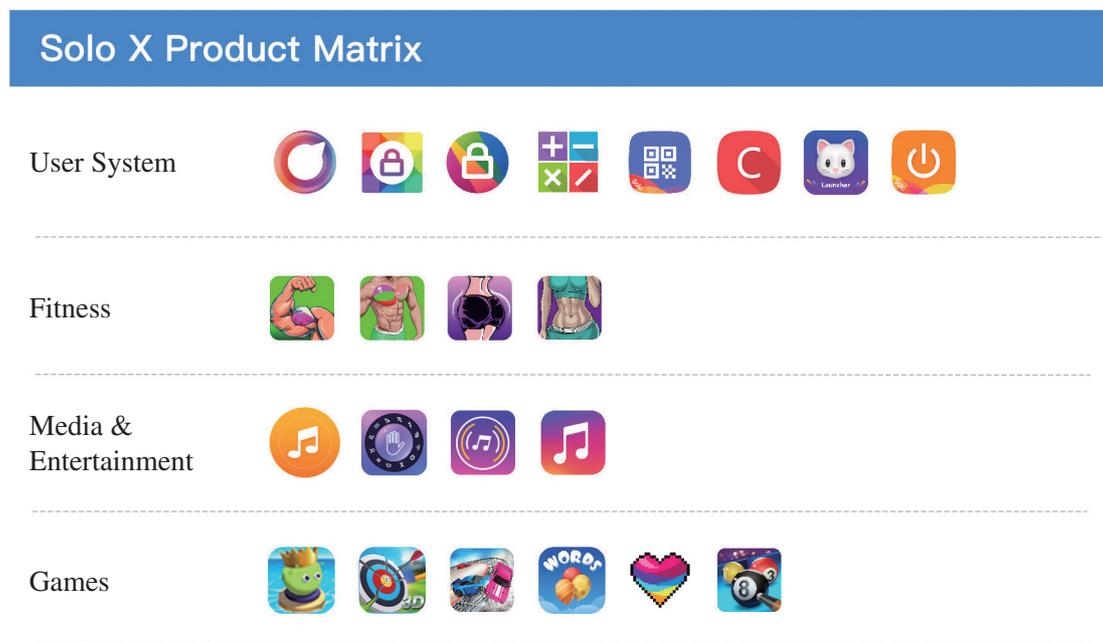
	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	(Unaudited)									
Europe ⁽¹⁾	13,157	55.0	8,807	31.8	6,355	6.8	3,633	9.9	6,378	5.6
North America ⁽²⁾	10,504	44.0	3,233	11.7	10,571	11.4	1,940	5.3	6,700	5.9
Asia (excluding mainland China) ⁽³⁾	201	0.8	15,640	56.5	75,998	81.8	31,251	84.8	63,944	55.8
Mainland China	37	0.2	-	-	-	-	-	-	37,438	32.7
Total	23,899	100.0	27,680	100.0	92,924	100.0	36,824	100.0	114,460	100.0

Notes:

- (1) Primarily includes Germany, United Kingdom, Portugal, Spain, Uruguay and Netherlands.
- (2) Primarily includes United States and Canada.
- (3) Primarily includes Hong Kong, Macau, Taiwan, India, Israel, Japan, South Korea, Singapore and Indonesia.
- (4) The classification of the geographic regions are based on the Company's internal categorisation.

BUSINESS

We organise our Solo X products into four sub-matrices, namely User System, Fitness, Media & Entertainment and Games. The following chart illustrates a number of mobile apps in our Solo X product matrix:



The following table sets forth a breakdown of our revenue from proprietary app traffic monetisation business by sub-matrices for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
User System sub-matrix	23,899	100.0	27,207	98.3	22,162	23.9	15,824	43.0	66,191	57.8
Fitness sub-matrix	-	-	88	0.3	24,541	26.4	6,601	17.9	17,918	15.7
Media & Entertainment sub-matrix ⁽¹⁾	-	-	/	/	27,615	29.7	13,082	35.5	12,350	10.8
Games sub-matrix	-	-	385	1.4	18,606	20.0	1,317	3.6	18,001	15.7
Total	23,899	100.0	27,680	100.0	92,924	100.0	36,824	100.0	114,460	100.0

Note:

- (1) For the year ended 31 December 2017, apps in the Media & Entertainment sub-matrix recorded a revenue of RMB29.0.

BUSINESS

Nearly all the revenue of proprietary app traffic monetisation business was generated from User System sub-matrix for the years ended 31 December 2016 and 2017. The trend started to disperse when we focussed on the development, operation and monetisation of other sub-matrices since late 2017, as a result, the revenue from the Fitness, Media & Entertainment and Games sub-matrices increased significantly, while the revenue from User system sub-matrix recorded a slight decrease and the proportion of revenue generated from each of the four sub-matrices was relatively even in the revenue of proprietary app traffic monetisation business for the year ended 31 December 2018. For the six months ended 30 June 2019, the revenue generated from Fitness and Games sub-matrices continued to grow and that from Media & Entertainment sub-matrix remained stable compared with the same period in 2018; while the revenue of User System sub-matrix recorded a significant increase, which was mainly attributable to our cooperation with a leading global internet company based in China for monetising our mobile apps starting from the User System sub-matrix in which we are the most experienced. The leading global internet company we cooperated with launched its mobile advertising ad network in the second half of 2018 and offered favourable terms to publishers in 2019 to facilitate the popularity of its new ad network. As a result, the revenue generated from User System sub-matrix as a percentage of revenue of proprietary app traffic monetisation business increased to more than 50%.

We expect the revenue generated by our User System sub-matrix to record a stable growth in the second half of 2019 compared to the first half of 2019 and continue to increase in 2020, while its revenue as a percentage of our revenue from proprietary app traffic monetisation business to decrease due to the estimated higher increase in the revenue generated from other sub-matrices such as Games sub-matrix. We expect the revenue generated from Fitness and Games sub-matrices to continue to increase in the second half of 2019 and 2020, with the revenue of Games sub-matrix taking up a larger percentage of our revenue derived from proprietary app traffic monetisation business as we plan to develop more games of various genres to attract more users and our apps in the Games sub-matrix usually record a relatively high ARPU based on our experience. The revenue of Media & Entertainment sub-matrix is estimated to remain relatively stable in the second half of 2019 and 2020. By 30 June 2019, our users from mainland China as a percentage of our total users was 5.9% and our development strategy remains focussed on the overseas markets.

BUSINESS

The following table sets forth details of certain of our representative mobile apps in each sub-matrix which contributed to over 1% of our revenue from proprietary app traffic monetisation business in the six months ended 30 June 2019 and were in operation¹ as of the Latest Practicable Date:

App Category	App Name	Launch Time	Operating		Revenue ⁽¹⁾ (RMB in millions)	Contribution to the revenue from our proprietary app traffic monetisation business ⁽²⁾		Expected Lifecycle ⁽³⁾	Lifecycle Stage ⁽⁴⁾	Free/Paid installation	In-app Purchase
			System	Description		(%)	(%)				
User System	Power Antivirus	November 2018	Android	An antivirus security app providing protection for Android devices	11.6	10.1	12 months	Late	Free	No	
	Free Antivirus	November 2018	Android	An antivirus security app providing protection for Android devices	1.4	1.2	12 months	Late	Free	No	
	Free Ace Security	December 2018	Android	An antivirus security app providing protection for Android devices	2.2	1.9	12 months	Late	Free	No	
	Max Antivirus	February 2019	Android	An antivirus security app providing protection for Android devices	2.9	2.5	12 months	Late	Free	No	
	Free Antivirus Plus	February 2019	Android	An antivirus security app providing protection for Android devices	2.1	1.8	12 months	Late	Free	No	
	Hello Launcher	February 2019	Android	A highly customisable launcher	1.5	1.3	12 months	Late	Free	No	
	Magic Launcher	March 2019	Android	A highly customisable launcher	1.7	1.5	12 months	Growth	Free	No	
	殺毒清理大師 (Antivirus Clean Master)	April 2019	Android	A cleaning app for Android devices	8.4	7.4	12 months	Growth	Free	No	
	一鍵清理管家 (Quick Clean)	April 2019	Android	A cleaning app for Android devices	8.2	7.2	12 months	Growth	Free	No	
	加速清理大師 (Speed Cleaner)	April 2019	Android	A cleaning app for Android devices	5.5	4.8	12 months	Growth	Free	No	
超級清理大師 (Super Cleaner)	May 2019	Android	A cleaning app for Android devices	3.7	3.2	12 months	Growth	Free	No		

1. We consider an app to be in operation if (i) such app is available for download, or (ii) in respect of such app that is no longer available for download, we continue to operate such app, for instance, by assigning personnel to provide regular maintenance of the app in order to generate revenue by delivering ads to its retained active users.

BUSINESS

App Category	App Name	Launch Time	Operating		Revenue ⁽¹⁾	Contribution to the revenue from our proprietary app traffic				
			System	Description		monetisation business ⁽²⁾	Expected Lifecycle Stage ⁽³⁾	Free/Paid installation	In-app Purchase	
					(RMB in millions)	(%)				
	365安全衛士 (365 Defender)	April 2019	Android	A cleaning app for Android devices	3.3	2.9	12 months	Growth	Free	No
	全面清理大師 (Overall Clean Master)	May 2019	Android	A cleaning app for Android devices	2.6	2.3	12 months	Growth	Free	No
	手機清理衛士 (Phone Cleaner)	May 2019	Android	A cleaning app for Android devices	1.4	1.3	12 months	Growth	Free	No
	365清理衛士 (365 Clean Master)	May 2019	Android	A cleaning app for Android devices	1.2	1.0	12 months	Growth	Free	No
Media & Entertainment	Free Music Box	November 2018	Android	A music player offering third-party sourced free music	1.3	1.1	12 months	Late	Free	No
	Free Music Player	November 2018	Android	A music player offering third-party sourced free music	4.1	3.6	12 months	Late	Free	No
	Free Music – Music APP, Offline Music	January 2019	Android	A music player offering third-party sourced free music	1.8	1.5	12 months	Late	Free	No
	Free Music APP – Offline Music Player	February 2019	Android	A music player offering third-party sourced free music	2.5	2.1	12 months	Late	Free	No
Fitness	Glute Workout 1 ⁽⁵⁾	September 2018	Android	An app offering workout plan for users	7.3	6.4	12 months	Late	Free	No
	Glute Workout 2 ⁽⁵⁾	October 2018	Android	An app offering workout plan for users and helping users to keep health records	3.1	2.7	12 months	Late	Free	No
	Flat Stomach Workout for Female	February 2019	Android	An app offering workout plan for users	2.6	2.3	12 months	Late	Free	No

BUSINESS

App Category	App Name	Launch Time	Operating		Revenue ⁽¹⁾	Contribution to the revenue from our proprietary app traffic monetisation business ⁽²⁾				
			System	Description		Expected Lifecycle	Free/Paid installation	In-app Purchase	Stage ⁽⁴⁾	monetisation business ⁽²⁾
					(RMB in millions)	(%)				
Games	Beetles.io (Android version)	August 2018	Android	An arcade-based game for knocking other players off a stage	1.7	1.5	18 months	Maturity	Free	Yes
	Beetles.io (iOS version)	August 2018	iOS	An arcade-based game for knocking other players off a stage	1.5	1.3	12 months	Late	Free	Yes
	CarBumper.io (iOS version)	October 2018	iOS	A combat-themed game	1.3	1.1	16 months	Maturity	Free	No
	Archery Champ (Android version)	October 2018	Android	An archery themed game	2.6	2.3	18 months	Maturity	Free	Yes
	Archery Champ (iOS version)	October 2018	iOS	An archery themed game	2.1	1.8	18 months	Maturity	Free	Yes
	Tank Heroes (Android version)	March 2019	Android	A combat-themed game	2.0	1.8	12 months	Late	Free	Yes
	Tank Heroes (iOS version)	March 2019	iOS	A combat-themed game	2.4	2.1	12 months	Growth	Free	Yes
	Archery Go (Android version)	April 2019	Android	An archery themed game	1.4	1.2	12 months	Growth	Free	Yes
	Archery Go (iOS version)	May 2019	iOS	An archery themed game	2.1	1.8	12 months	Growth	Free	Yes

Notes:

- (1) Representing the revenue generated from each individual app listed in the table for the six months ended 30 June 2019.
- (2) Calculated as the revenue generated from each individual app listed in the table for the six months ended 30 June 2019 divided by the total revenue generated from our proprietary app traffic monetisation business for the same period.
- (3) We consider the lifecycle of an app to end when we stop the operation of such app.
- (4) We generally consider our app to be at the growth stage when its lifecycle has not exceeded six months, to be at the maturity stage when its lifecycle has exceeded six months and to be at the late stage when we decided no longer to offer such app for download.
- (5) Though the names of these two apps are the same, they were intended to provide different functions and different user experience. Numeric suffices are added in the presentation here for differentiation.

We employ an unbundling strategy of developing, optimising and promoting mobile apps in each product sub-matrix and seek to attract and retain users for our mobile apps through continuous upgrade of a number of our flagship products such as Solo Launcher and DIY Locker and supplement and expand our product sub-matrices by launching new mobile apps on a relatively frequent basis. Most of our representative mobile apps in operation have a relatively short expected lifecycle of 18 months or less. In order to expand our user base and maintain the monetisation efficiency of our mobile apps, we consider it necessary to continuously develop and launch new apps. For the associated risks, please see "Risk Factors – Risks Related to Our Business and Industry – Most of our representative mobile apps in operation have a relatively short expected lifecycle of 18 months or less. If we are unable to maintain popularity of our apps during their expected lifecycle, it could materially and adversely impact our business, financial condition, results of operations."

We determine the launch time and lifecycle for each of our mobile apps according to market demands and employ the strategy of developing a series of apps with similar functions but different user interfaces and detailed features to accommodate to diversified user preferences and in turn attract different groups of users. We believe such strategy enables us to expand and maintain our user base by attracting and retaining users on a product sub-matrix consisting of various apps rather than on several individual apps through in-app cross promotion because (i) instead of targeting a specific group of users, our mobile apps with different detailed features and themes are designed to accommodate to different habits and requirements of a broader users group, and can reduce our risk on reliance on several individual apps; (ii) we can attract more targeted users when launching several apps in a sub-matrix around the same time; and (iii) we are able to mitigate the risks of losing users when an individual app becomes outdated. As the revenue of our proprietary app traffic monetisation business was substantially derived from monetising the ad inventories of our mobile apps, we may adjust the lifecycle of our mobile apps in accordance with their performance metrics, monetisation efficiency, user lifetime value and user acquisition cost.

Our Sub-matrices and Apps

User System Sub-matrix

Android devices grew significantly in recent years and the demand for customised and personalised user interfaces and applications was increasing. While the Android operating system provides basic functions of mobile devices, a majority of Android devices come with standard pre-installed launchers that operate above the Android operating system and manage all apps, widgets and functions through a default user interface. User System apps on an Android device can typically be customised to fit various user preferences and to help users manage apps to improve efficiency and accessibility. Our User System sub-matrix enhances the performance, functionality, speed and features of mobile devices and differentiates user experience on such devices.

Solo Launcher

Solo Launcher is the core product of our User System sub-matrix, which was launched in May 2013 and was designed to provide simpler and faster user experience, highly configured settings and diversified functionalities to maximise user preference.

Solo Launcher offers mobile device users with “clean, smooth and DIY” experience. Through themes, gestures and various levels of customisation, Solo Launcher users can personalise their mobile devices to function more in sync with their own habits and symbolise their individualities. Solo Launcher includes many new functions and features not available in factory configured launchers, which increases the utility of mobile devices and makes it more convenient.

The following diagrams illustrate user interface designs and app drawers of Solo Launcher.



Desktop Home Screen



Desktop Apps Drawer

The key features of Solo Launcher include:

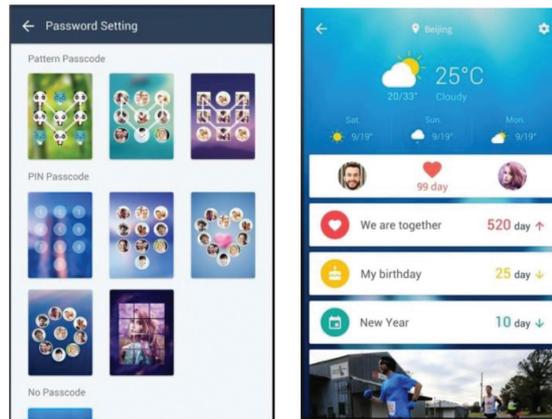
- **Solo Boost:** The icon of Solo Boost indicates the device’s memory usage and the users can free up memory and delete cache files with a tap of the button. Simple-mode cleaning can usually be done within seconds and the pop-up window on the screen will show how much space it has freed on the mobile device and further perform a deep-boost cleaning for the device.
- **Solo Action:** Solo Action offers a series of shortcuts for the users to adjust certain settings or find certain apps they frequently use. It also allows the users to perform certain quick actions, including screen locking and quick navigating.
- **Solo Search:** There is a search bar at the top of Solo Launcher home screen, which allows the users to search for information on the web and for apps, contacts, music or messages locally as well.

- **Solo Weather:** Through Solo Weather widget on the home screen, the users can know live weather conditions and temperature without opening any weather apps. The Solo Weather icon automatically changes in accordance with the location of the mobile device and its weather condition.
- **Solo Now:** Solo Now aggregates content from news feeds and other websites and the users can access Solo Now by sliding the home screen. Solo Now can provide the users with articles, videos and recommendations in accordance with their interests and preferences by analysing their chosen topics and browsing histories.
- **Gesture:** Solo Launcher offers different gestures for easier operation on the mobile device – a combination of single fingers, double fingers, swiping and rotation for the users to operate the device more conveniently in accordance with their own habits.
- **DIY:** Solo Launcher users can freely design the user interface of their mobile devices by changing the settings, including but not limited to the number of rows and columns on the desktop, icon size, hiding applications from the app drawer, font size and colour, screen transition effects, colour schemes and folder styles.

Solo Launcher is offered for free in Google Play and other Android based app stores and is currently available in more than 30 languages. According to the iResearch Report, Solo Launcher had achieved daily ranking No. 1 by downloads at least once in the “personalisation apps” category of Google Play in 89 countries and regions such as France, Israel, Singapore and Brazil by 31 December 2018.

Our experience in operating Solo Launcher allows us to create and continue to expand a product matrix that is built upon Solo Launcher and integrates all of our Solo X sub-matrices. Based on our user insight, we aim to identify large and fast-growing groups of mobile device users with unmet or emerging interests and demands. We developed a large portfolio of other Solo X products and services through apps and widgets, establishing our sub-matrix system and aiming to further improve the functionality, performance and personalisation of mobile devices following our user-centric and data-driven approach. We use our big data analytics and data mining technologies to understand the preferences and demands of our users, which offers us insights in developing, upgrading and expanding our Solo X product matrix.

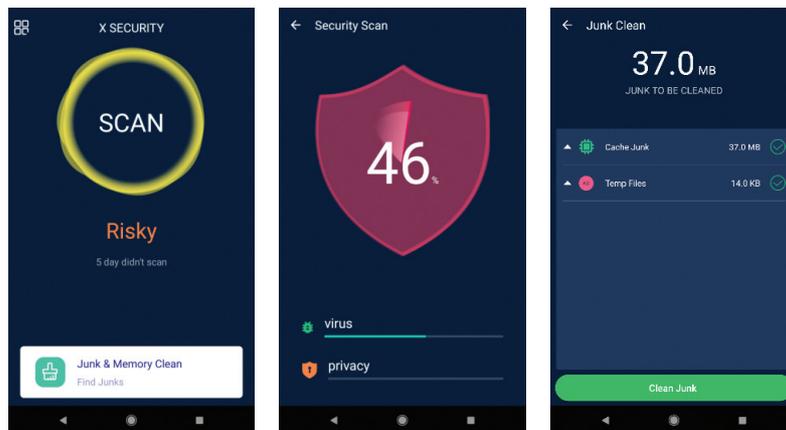
Locker Apps



As default lockers on Android device offer basic functions, we developed different locker apps compatible with the Android operating system. The functions include designing the lock screen of mobile devices and customising the passcode patterns and images for opening a particular app. Solo Locker, which was launched in January 2014, was named the Google Play Best Apps of 2015 and according to the iResearch Report, DIY Locker had achieved daily ranking No. 1 by downloads at least once in the “personalisation apps” category of Google Play in 40 countries and regions such as Germany, India, New Zealand and Argentina by 31 December 2018.

Solo Locker provides many different lock/unlock styles and a number of themes to lock/unlock mobile device screens in accordance with the users’ preference, which are beyond the basic locker functions that the native Android operating system provides. It allows users to add live widgets to the locked screen such that users can conveniently check information or access apps directly from the locked screen. For example, users can check weather information and control music player without unlocking the screen.

Security apps



BUSINESS

We have developed a number of security apps that are available on Android operating system, such as Droid Security, Virus Scan, Power Antivirus and 殺毒清理大師 (Antivirus Clean Master) . They incorporate functions of anti-virus, junk cleaner and booster in a single lightweight installation package to protect mobile users against security threats and malicious applications. The security apps can perform on-demand scan of programme files on the mobile devices and test them against the security threats database. Through the multi-layer security scan, they can remove junk files and system cache files to release memory and speed up the mobile device.

Some of our top-ranked security apps by revenue contribution during the Track Record Period are described below:

Droid Security is a security app launched in August 2017 with app lock features for Android devices. It offers privacy protection, junk cleaning and phone boosting functions and is able to detect security threats by performing background scan on viruses and malware. It can clean the users' browsing history to protect user privacy. Through the app lock function, Droid Security allows users to create password to safeguard their apps with confidential information.

Virus Scan is an anti-virus and cache cleaning tool for Android devices, which was launched in September 2017. It offers one-tap scan to protect users' downloaded apps from viruses and spams and is able to monitor the device temperature, cleaning cache data of apps and manage running tasks on Android devices. It also provides battery saving solutions by checking the power usage of the apps installed and offering power saving settings.

Power Antivirus, which was launched in November 2018, is an all-in-one anti-virus and security app providing protection for Android devices. It can run scans for virus. It provides users with app lock and photos lock to safeguard their sensitive apps and photos with passwords. It can scan the safety of Wi-Fi and allows users to measure the speed of Internet connections.

殺毒清理大師 (Antivirus Clean Master) is a cleaning app for Android devices launched in April 2019. Leveraging its junk file scanning engine, it helps users identify and remove junk files and cache. Its memory boosting function frees up memory usage and speeds up the mobile devices. Antivirus Clean Master also features in virus scanner and battery saving.

Battery products

We have also developed battery products including Solo Battery Saver and battery widgets to reduce power consumption and prolong battery life of mobile devices. With a single tap by the users on one of the several pre-set modes, Solo Battery Saver can optimise power consumption by managing Wi-Fi, Bluetooth connection, audio player, screen brightness, vibration, data synchronisation, apps and other battery-draining components in mobile devices. It also allows the users to customise the battery saving schedules of their mobile devices to suit their needs. After being configured, Solo Battery Saver can intelligently switch modes and/or turn on/off functions at different battery levels or time.

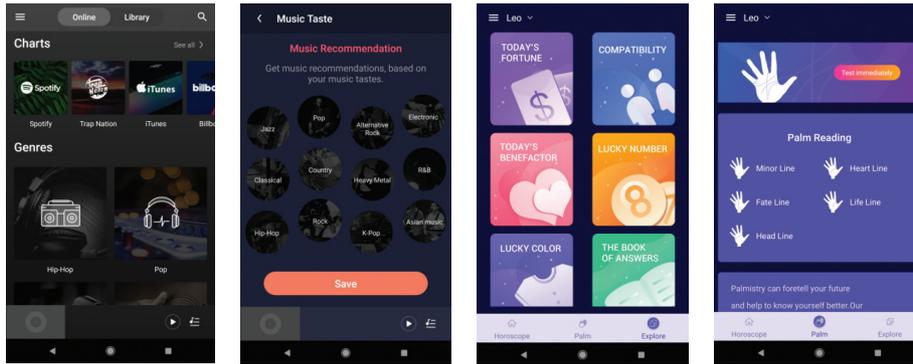
Fitness Sub-matrix



We developed a portfolio of fitness apps to make fitness simple and flexible and to encourage formation of long-lasting healthy habits for our users. These apps bring our users an array of workouts from abs and core to arms and legs for every exercise level and a number of apps in the Fitness sub-matrix are designed to focus on the exercise of one particular body part. All of them are available on Android operating system and/or iOS.

Our fitness apps typically offer monthly workout plans for body shaping and strength training. Workout plans provided in the apps are set into several difficulty levels to meet the demands from beginners to the advanced users, so that users can personalise training plans based on their own routines and goals. With animations and video tutorials, our progressive training routines are designed to help the users boost their performance. The data report enables trainers to track and manage many aspects of their performance, including weight loss progress, burned calories and training history.

Media & Entertainment Sub-matrix



We have Media & Entertainment sub-matrix to cater to the user' increasing demand for relaxation and entertainment using their mobile devices, such as listening to music, watching videos and fortune telling. Apps in our Media & Entertainment sub-matrix are available on Android operating system and/or iOS.

Our music apps typically feature large selections of popular artists and albums available from a well-known video-sharing platform (the “**Platform**”) via API connection in accordance with such Platform's terms of service. When a user of our music apps plays a particular song, the music app will redirect such user to the Platform's page for the user to watch the music video. The music library spans across major music genres including pop, R&B, classical and jazz. The music apps cater to diverse musical preferences through search functions and AI-enabled personalised recommendations and suggest playlists based on a variety of factors, such as users' previous music selections and listening habits, time of the year and geolocation. They support music file types such as MP3 and MP4 and users can easily manage their music files both from the collections within the app and local mobile device storage.

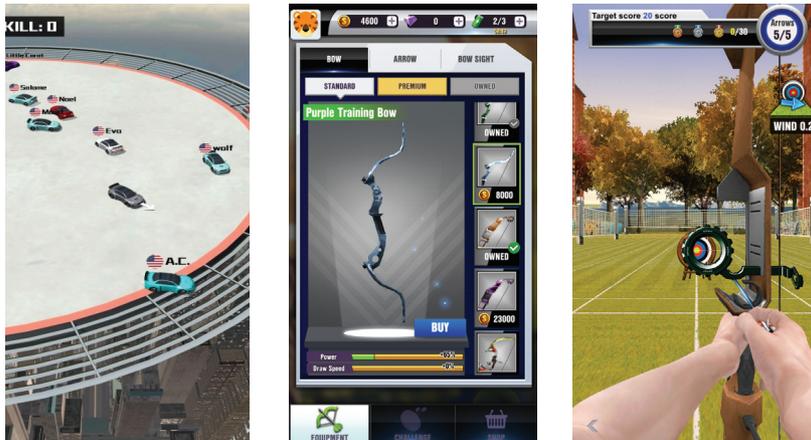
Some of our top-ranked music apps by revenue contribution during the Track Record Period are described below:

Free Music – Offline Music Player is a music player app with local music management features, which was launched in January 2018. It is offered for free download for Android devices users. It allows users to listen to offline music with supported audio file formats. It enables users to manage their local music files on the mobile devices through an individual app.

Free Music – Online Music is a music player app available on Android operating system offering third-party sourced free music. It makes daily recommendation to users according to their preferences and helps users to build their local music library.

One of our horoscope apps is updated on a daily basis for entertainment. By selecting zodiac signs, users can receive daily, weekly and monthly horoscope updates, along with access to horoscope personality analysis, daily lucky colour, daily lucky number and zodiac compatibility. The users can read analyses on their relationships, careers and fortunes through the palm reading function by scanning their palms.

Games Sub-matrix



We have developed a portfolio of games apps. Most of our games are available on Android operating system and/or iOS with in-app purchase of premium features, virtual items and game currencies. According to iResearch Report, as at 31 December 2018, Archery Champ, one of our 3D sport games had achieved games daily ranking top 10 by downloads for iPhone in Apple App Store in 45 countries and regions such as Spain, India and South Africa and Beetles.io had achieved games daily ranking top 10 by downloads in Google Play in 16 countries and regions such as the United Kingdom, Canada, Sweden and Singapore.

Archery Champ is a 3D archery game that allows players to vividly experience the archery scenes. Players can earn gold coins in the game and use the gold coins to unlock different game modes, locations and various equipment that may further improve aiming accuracy.

One of our casual games simulates the car racing scene, and the player can drag his/her car and hit other cars off the arena to win the game. It is a game with simple rules for players of most ages to play it anytime and anywhere. Players may choose different themes and change the colour of their cars.

BUSINESS

Key Operational Data

The following table sets forth certain user statistics of our Solo X sub-matrices during the Track Record Period⁽¹⁾.

	By/For the year ended			By/For the
	31 December			six months
	2016 ⁽⁵⁾	2017	2018	ended 30 June 2019
Number of users (millions)⁽²⁾	397.3	476.6	669.9	796.8
User System sub-matrix	397.3	439.0	509.7	569.4
Media & Entertainment sub-matrix	–	22.5	86.8	108.3
Fitness sub-matrix	–	11.9	54.1	83.7
Games sub-matrix	–	3.1	19.4	35.5
Average DAUs (millions)⁽³⁾	21.0	17.1	24.0	35.0
User System sub-matrix	21.0	15.5	15.8	20.3
Media & Entertainment sub-matrix	–	0.9	4.5	7.3
Fitness sub-matrix	–	0.7	3.3	6.7
Games sub-matrix	–	0.1	0.4	0.7
Average MAUs (millions)⁽⁴⁾	99.1	79.1	114.5	164.0
User System sub-matrix	99.1	67.8	71.5	93.0
Media & Entertainment sub-matrix	–	5.6	23.3	33.5
Fitness sub-matrix	–	4.6	17.0	32.3
Games sub-matrix	–	1.1	2.7	5.2
Number of Impressions (millions)⁽⁶⁾	1,556.8	1,384.4	4,252.2	7,162.2
User System sub-matrix	1,556.8	1,372.7	1,216.4	5,274.4
Media & Entertainment sub-matrix	–	0.002	1,381.8	557.3
Fitness sub-matrix	–	4.1	1,124.8	820.0
Games sub-matrix	–	7.6	529.2	510.5
eCPM (RMB)⁽⁷⁾	15.3	20.0	21.3	15.8
User System sub-matrix	15.3	19.8	18.2	12.5
Media & Entertainment sub-matrix	–	20.3	20.0	22.2
Fitness sub-matrix	–	21.6	21.8	21.9
Games sub-matrix	–	41.7	30.6	32.0

BUSINESS

Notes:

- (1) An individual may have more than one mobile devices and these mobile devices will be counted as more than one users based on the device IDs, and such calculation basis applies to all indicators listed in the chart.
- (2) The number of users of each sub-matrix is calculated by the number of downloads cumulatively since the launch of each app in the sub-matrix excluding the overlapping users of apps within a sub-matrix; the total number of users is the sum of the number of users of the four sub-matrices without excluding the overlapping users of sub-matrices.
- (3) Calculated as the average of the DAUs in each indicated period; a user accessing several apps within one sub-matrix per day is counted as one active user; the total average DAUs is the sum of average DAUs of the four sub-matrices without excluding the overlapping users of sub-matrices.
- (4) Calculated as the average of the MAUs in each indicated period; a user accessing several apps within one sub-matrix per month is counted as one active user; the total average MAUs is the sum of average MAUs of the four sub-matrices without excluding the overlapping users of sub-matrices.
- (5) We only had mobile apps in the User System sub-matrix in 2016.
- (6) Calculated as the number of page views of ads delivered on the apps to their users during the indicated period.
- (7) Calculated as the revenue generated from the sale of ad inventories on the apps in each indicated period divided by the total number of impressions delivered on these apps in such periods (divided by 1,000).

In 2017, we started to focus on the development, operation and promotion of the Media & Entertainment, Fitness and Games sub-matrices to enrich our product portfolio. Our Directors consider that such new sub-matrices are supplementary to our then User System sub-matrix, which could effectively foster our user stickiness and, in turn, our monetisation rate. As a result of the change in our product development strategy, while the average DAUs and average MAUs of the User System sub-matrix recorded a moderate decrease, our revenue generated from proprietary app traffic monetisation business increased by 15.8% from RMB23.9 million in 2016 to RMB27.7 million in 2017. The increase in the number of users, average DAUs and average MAUs of overall Solo X products and each of the sub-matrices after the year ended 31 December 2017, through 2018 to the six months ended 30 June 2019 was primarily due to our continuous optimisation of our mobile apps, development of new mobile apps and our increased promotional efforts. The number of impressions increased significantly in 2018 and the first half of 2019 as our Media & Entertainment and Fitness apps generated more impressions while our User System apps benefitted from our cooperation in the PRC with a newly established ad network. While our Directors believe that the eCPM achieved through such newly established third party ad network was lower than certain existing advertiser customers, leading to a decrease of our overall eCPM from RMB21.3 in 2018 to RMB15.8 in the first half of 2019, the concurrent significant increase in the number of impressions more than compensated for the decrease in eCPM and led to a significant increase in our revenue from proprietary app traffic monetisation. The DAU of our Solo X product matrix as at the single day of 30 June 2019 was 39.8 million and the MAU of our Solo X product matrix for the single month of June 2019 was 187.0 million.

BUSINESS

The following table sets forth the number of advertisers with which we cooperated for the sale of ad inventories of our mobile apps and the number of paying users that made in-app purchases in our mobile apps:

	For the year ended 31 December			For the six months ended 30 June
	2016	2017	2018	2019
	Number of advertisers	6	9	15
Number of paying users	157	2,064	46,667	33,065

The monetisation rate of our Solo X product matrix, reflected by ARPU¹ was RMB0.13, RMB0.28, RMB0.39 and RMB0.73 for the year ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019. Please see “– Monetisation of Solo X products” for further information.

The following table sets forth certain information of our mobile apps which represented all of our apps that generated revenue (for the year ended 31 December 2016) or ranked top ten by revenue contribution in the indicated period during the Track Record Period and the subtotal of the revenue from the below listed apps in each indicated period accounted for 100.0%, 83.4%, 52.4% and 50.9% of our total revenue generated from proprietary app traffic monetisation business for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively.

Title	App Category	Operating System	Description	Revenue ⁽¹⁾	Number of Users ⁽²⁾	Average DAUs ⁽³⁾	Average MAUs ⁽⁴⁾	DAU/MAU Ratio ⁽⁵⁾	ARPU ⁽⁶⁾	Average Seven-day Retention Rate ⁽⁷⁾
				(RMB in millions)	(millions)	(millions)	(millions)	(%)	(RMB)	(%)
<i>For the year ended 31 December 2016</i>										
Solo Launcher	User System	Android	A highly customisable launcher	14.1	228.1	9.0	30.5	29.4	0.3	21.0
Solo Locker	User System	Android	A privacy protection tool	8.5	11.8	0.4	1.5	29.4	0.5	20.1
Super Locker	User System	Android	A privacy protection tool	1.2	0.8	0.03	0.1	29.8	1.5	22.0

1. Calculated as the total revenue generated by in-app purchase and mobile advertising in each indicated period divided by the number of active users during such period; a user accessing several apps in each indicated period is counted as one active user.

BUSINESS

Title	App Category	Operating System	Description	Revenue ⁽¹⁾	Number of Users ⁽²⁾	Average DAUs ⁽³⁾	Average MAUs ⁽⁴⁾	DAU/MAU Ratio ⁽⁵⁾	ARPU ⁽⁶⁾	Average Seven-day Retention Rate ⁽⁷⁾
				(RMB in millions)	(millions)	(millions)	(millions)	(%)	(RMB)	(%)
Solochat	User System	iOS	A chat tool with FM radio function	0.1	0.1	0.007	0.02	30.3	0.6	20.0
Virally.video ⁽⁸⁾	User System	Android	A video sharing app with chat function	/	/	/	/	42.4	0.02	21.2
<i>For the year ended 31 December 2017</i>										
Droid Security	User System	Android	An antivirus security app providing protection for Android devices	6.1	1.1	0.05	0.2	30.2	5.4	22.0
Virus Scan	User System	Android	An antivirus security app providing protection for Android devices	3.6	2.0	0.1	0.3	31.8	1.8	23.6
Solo Launcher	User System	Android	A highly customisable launcher	3.3	230.9	6.7	22.9	29.4	0.1	21.0
Solo Locker	User System	Android	A privacy protection tool	2.1	16.7	0.5	1.8	29.4	0.7	21.2
Solo Cleaner	User System	Android	A cleaning app for Android devices	1.9	2.6	0.09	0.3	31.1	0.7	21.7
Solo Security – Antivirus & Security	User System	Android	An antivirus security app providing protection for Android devices	1.7	2.5	0.1	0.3	30.5	0.6	21.1
ProtectGo	User System	Android	An antivirus security app providing protection for Android devices	1.2	1.9	0.1	0.3	34.4	0.6	22.0
Turbo Optimizer	User System	Android	A cleaning app for Android devices	1.2	2.0	0.1	0.4	30.6	0.6	23.0
Super Ace Cleaner	User System	Android	A cleaning app for Android devices	1.0	1.4	0.1	0.3	41.3	0.7	21.5
Speed Virus Cleaner	User System	Android	An antivirus security app providing protection for Android devices	0.9	1.5	0.1	0.3	36.5	0.6	22.2

BUSINESS

Title	App Category	Operating System	Description	Revenue ⁽¹⁾	Number of Users ⁽²⁾	Average DAUs ⁽³⁾	Average MAUs ⁽⁴⁾	DAU/MAU Ratio ⁽⁵⁾	ARPU ⁽⁶⁾	Average Seven-day Retention Rate ⁽⁷⁾
				(RMB in millions)	(millions)	(millions)	(millions)	(%)	(RMB)	(%)
<i>For the year ended 31 December 2018</i>										
Free Music – Offline Music Player	Media & Entertainment	Android	A music player offering third-party sourced free music	13.4	9.2	0.3	1.0	31.4	1.5	21.9
Free Music – Online Music	Media & Entertainment	Android	A music player offering third-party sourced free music	6.4	4.0	0.2	0.6	32.4	1.6	22.5
Flat Stomach Workout	Fitness	Android	An app offering workout plan for users and helping users to keep health records	4.4	3.6	0.2	0.7	32.3	1.2	25.3
Beetles.io (Android version)	Games	Android	An arcade-based game for knocking other players off a stage	4.3	3.9	0.1	0.3	32.0	1.1	13.1
Archery Champ (iOS version)	Games	iOS	An archery themed game	4.2	1.2	0.04	0.1	32.7	3.5	14.6
Butt Workout At Home	Fitness	Android	An app offering fitness program for users and helping users to keep health records	3.8	5.2	0.2	0.8	30.6	0.7	26.4
Glute Workout 1	Fitness	Android	An app offering workout plan for users	3.7	4.7	0.3	1.0	35.6	0.8	25.0
Beetles.io (iOS version)	Games	iOS	An arcade-based game for knocking other players off a stage	3.2	1.8	0.05	0.1	35.0	1.7	13.0
Power Antivirus	User System	Android	An antivirus security app providing protection for Android devices	3.0	3.1	0.3	1.0	29.4	1.0	22.0
Free Antivirus	User System	Android	An antivirus security app providing protection for Android devices	2.4	3.1	0.1	0.4	29.5	0.9	24.0

BUSINESS

Title	App Category	Operating System	Description	Revenue ⁽¹⁾	Number of Users ⁽²⁾	Average DAUs ⁽³⁾	Average MAUs ⁽⁴⁾	DAU/MAU Ratio ⁽⁵⁾	ARPU ⁽⁶⁾	Average Seven-day Retention Rate ⁽⁷⁾
				(RMB in millions)	(millions)	(millions)	(millions)	(%)	(RMB)	(%)
<i>For the six months ended 30 June 2019</i>										
Power Antivirus	User System	Android	An antivirus security app providing protection for Android devices	11.6	8.4	0.4	1.5	29.5	1.6	25.3
殺毒清理大師(Antivirus Clean Master)	User System	Android	A cleaning app for Android devices	8.4	3.9	0.3	0.8	36.7	2.2	24.5
一鍵清理管家 (Quick Clean)	User System	Android	A cleaning app for Android devices	8.2	3.7	0.3	0.7	42.2	2.2	24.0
Glute Workout 1 ⁽⁹⁾	Fitness	Android	An app offering workout plan for users	7.3	7.7	0.5	1.8	29.4	1.1	28.8
加速清理大師 (Speed Cleaner)	User System	Android	A cleaning app for Android devices	5.5	3.7	0.3	0.7	42.2	1.5	24.1
Free Music Player	Media & Entertainment	Android	A music player offering third-party sourced free music	4.1	2.4	0.1	0.5	29.4	2.0	22.4
超級清理大師 (Super cleaner)	User System	Android	A cleaning app for Android devices	3.7	3.3	0.3	1.0	29.9	1.1	25.8
365安全衛士 (365 Defender)	User System	Android	A cleaning app for Android devices	3.3	2.8	0.3	0.8	31.3	1.2	26.1
Glute Workout 2 ⁽¹⁰⁾	Fitness	Android	An app offering workout plan for users and helping users to keep health records	3.1	4.5	0.3	1.0	29.4	1.0	27.6
Max Antivirus	User System	Android	An antivirus security app providing protection for Android devices	2.9	2.3	0.2	0.5	31.3	1.3	27.1

Notes:

- (1) For the apps whose income were denominated in US\$, the amount of their revenue was translated to RMB using the same exchange rate for translating our total revenue in the corresponding year/period.
- (2) Calculated by device ID cumulatively since the launch of each app up to the end of each indicated period.
- (3) Calculated as the average of the DAUs in each indicated period.
- (4) Calculated as the average of the MAUs in each indicated period.
- (5) Calculated as the average DAUs of each app in the indicated period divided by the average MAUs of such app during such period.

BUSINESS

- (6) Calculated as the total revenue of in-app purchase and mobile advertising generated by each app in each indicated period divided by the number of active users of such app during such period.
- (7) Calculated as the average of the seven-day retention rate of each day during the indicated period; and the seven day retention rate of each day is calculated as the number of new users (recorded by device IDs) that install an app on day one and activate it on day seven divided by the total number of users that install such app on day one.
- (8) For the year ended 31 December 2016, Virally.video recorded a revenue of RMB127.4 and its number of users, DAU and MAU was approximately 8,370, 610 and 1,450.
- (9) The name of the app is Glute Workout and it is the same app as the one listed as Glute Workout 1 in the top ten apps for the year ended 31 December 2018 above; the numeric suffix is added in the presentation here to differentiate from the app with the same name and listed out as top ten apps for the six months ended 30 June 2019 below.
- (10) The name of the app is Glute Workout. Though its name is the same as the app listed above in Note (8), it intended to offer different functions and different user experience; the number suffix is added for differentiation in presentation here.

All of our mobile apps that generated revenue in 2016 and our mobile apps that ranked top ten by revenue contribution in 2017 were all in the User System sub-matrix as we only started to focus on the development, operation and monetisation of other sub-matrices since late 2017 and the top ten mobile apps by revenue contribution in 2018 and the first half of 2019 were in different sub-matrices. The revenue generated from our apps as disclosed above recorded an upward trend in general during the Track Record Period as we continued to optimise and update our apps under different sub-matrices and improve their monetisation efficiency.

During the Track Record Period, we were not reliant on any particular app in terms of revenue contribution and there was only a small number of apps that were among the top ten mobile apps by revenue contribution for consecutive years or periods during the Track Record Period. This is because the lifecycle of our top ten apps by revenue contribution during the Track Record Period were generally 18 months or less except for a number of long-term apps such as Solo Launcher, which was mainly attributable to our sub-matrix oriented unbundling strategy of development and operation for a suite of apps instead of any individual app to cover different user scenarios to reach and engage wide user base. According to the iResearch Report, the lifecycle of apps is generally between six to 42 months as a majority of mobile internet companies' product development strategy is to focus on operating a limited number of products especially for some platform, social networking and top-ranking games apps developed by leading internet companies, and some apps will not be removed even when their performance is not satisfactory, which results in a relatively long industry average lifecycle. While our long-term apps have a lifecycle of more than three years, we only started to develop and operate apps in the Media & Entertainment, Fitness and Games sub-matrices in late 2017 and our unbundling strategy is to adjust the lifecycle of apps in accordance with their performance metrics and user lifetime value and cease to operate certain apps while upgrading and launching new apps to maintain the overall monetisation efficiency.

Product Development

We employ a collaborative approach to developing our products. Our product development process comprises project planning, coding, art designing, testing and operating. The quality and functionality of a product depends on high-level integration and completion of the aforesaid process. Before we commit to developing any products, we conduct research on user needs and market demand. We collect and analyse the data on app stores including Google Play, App Store and other third-party mobile app analytics platforms, mainly focussing on the data including app types, countries and regions, the number of installations, DAUs, retention rate and revenue, to gain insight into the trends and development of global app market. After rounds of internal discussions on development strategies of a certain product, we go through a prescribed series of steps before officially launching the product, including (i) developing both user and server end software and building the fundamental architecture for the product; (ii) graphics designing; (iii) internal testing on user interactions; and (iv) beta version testing, often with multiple iterations. We generally launch an app upon the completion of beta version testing and the testing data having met our internal standards and we determine the launch time of a particular app considering the lifecycle stages and performance metrics of other apps in the same sub-matrix.

Once a product is launched, our operation team is dedicated to collecting user feedback, studying data on user satisfaction and identifying areas in which the product needs to be further enhanced or fine-tuned. In addition, our data analytics system automatically generates a large number of daily reports relating to the operations of our products, which further helps us timely identify areas that need improvement. We have been promptly releasing new versions of our products, monthly or up to several times in a monthly, to resolve issues thus identified after product releases, enhancing existing functions or adding new features to improve our products.

As at 30 June 2019, we had 62 employees dedicated to product development for our Solo X product matrix and 28 employees dedicated to the operation and maintenance of our product matrix.

BUSINESS

The following table sets forth the number of mobile apps launched, ceased operation and still in operation by sub-matrix during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June 2019	From 1 July 2019 and up to the Latest Practicable Date 2019
	2016	2017	2018	2019	2019
User System					
Number of apps in operation at the beginning of the year/period	3	6	45	26	31
Number of apps launched during the year/period	3	56	36	29	12
Number of apps that ceased operating during the year/period	–	(17)	(55)	(24)	(6)
Number of apps in operation at the end of the year/period ⁽¹⁾	6	45	26	31	37
Fitness					
Number of apps in operation at the beginning of the year/period	–	–	1	27	12
Number of apps launched during the year/period	–	1	41	9	3
Number of apps that ceased operating during the year/period	–	–	(15)	(24)	(10)
Number of apps in operation at the end of the year/period ⁽¹⁾	–	1	27	12	5

BUSINESS

	For the year ended 31 December			For the six months ended 30 June	From 1 July 2019 and up to the Latest Practicable Date
	2016	2017	2018	2019	2019
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>
Media & Entertainment					
Number of apps in operation at the beginning of the year/period	–	–	1	16	13
Number of apps launched during the year/period	–	1	28	12	3
Number of apps that ceased operating during the year/period	–	–	(13)	(15)	(9)
Number of apps in operation at the end of the year/period ⁽¹⁾	<u>–</u>	<u>1</u>	<u>16</u>	<u>13</u>	<u>7</u>
Games					
Number of apps in operation at the beginning of the year/period	–	–	4	25	34
Number of apps launched during the year/period	–	4	28	16	15
Number of apps that ceased operating during the year/period	–	–	(7)	(7)	(16)
Number of apps in operation at the end of the year/period ⁽¹⁾	<u>–</u>	<u>4</u>	<u>25</u>	<u>34</u>	<u>33</u>
Total					
Number of apps in operation at the beginning of the year/period	3	6	51	94	90
Number of apps launched during the year/period	3	62	133	66	33
Number of apps that ceased operation during the year/period	–	(17)	(90)	(70)	(41)
Number of apps in operation at the end of the year/period ⁽¹⁾	<u>6</u>	<u>51</u>	<u>94</u>	<u>90</u>	<u>82</u>

BUSINESS

Note:

- (1) We consider an app to be in operation if (i) such app is available for download and generates revenue, or (ii) in respect of such app that is no longer available for download, we continue to operate such app, for instance, by assigning personnel to provide regular maintenance of the app in order to generate revenue by delivering ads to its retained active users.

In 2016, we mainly operated our flagship apps in the User System sub-matrix such as Solo Launcher and Solo Locker. While we managed the launch, operation and lifecycle of apps under each sub-matrix in accordance with their respective performance and market response, as shown in the above table, the aggregate number of apps launched and remained in operation in all of the four sub-matrices at the end of the year increased in general across 2016, 2017 and 2018, which was attributable to our persistent commitment in the development and operation of our mobile apps to expand our user base and improve the monetisation efficiency of our mobile apps. Pursuant to our sub-matrix oriented unbundling strategy of product development and operation, we developed a variety of apps in Fitness, Media & Entertainment and Games sub-matrices in 2018. Meanwhile, we adjusted the lifecycle of a number of apps in accordance with their performance metrics and user lifetime value and ceased to operate such apps in order to maintain our overall monetisation efficiency.

While we intensified our efforts to the development and operation of content-based Fitness, Media & Entertainment and Games sub-matrices in 2018, User System apps continued to be our major products. Leveraging our experience in developing a number of popular Games apps such as Beetles.io and Archery Champ, we have also increased our resources allocated to the Games sub-matrix since 2018. Additionally, after our intensive launch of apps in the content-based Fitness, Media & Entertainment and Games sub-matrices in 2018, we gradually became more experienced in the development and operation of apps in these sub-matrices and we believe we may better cater to the preferences and needs of our different user groups. Despite that we ceased the operation of certain apps in view of their performances and launched less apps in these content-based sub-matrices since 2019, the average MAUs of each of our Fitness, Media & Entertainment and Games sub-matrices recorded a steady growth for the ten months ended 31 October 2019 compared with the average MAUs of the corresponding sub-matrix in 2018.

BUSINESS

Our Mobile Apps Pipeline

The following table sets forth certain information of our mobile apps pipeline. The pipeline is indicative as of the Latest Practicable Date, the titles of apps in the pipeline are pending finalisation and the details of each app in the pipeline may be subject to further changes based on our development progress and market conditions. While we consider that we have obtained all necessary regulatory approvals in respect of the launch of the apps in the pipeline mentioned below as of the Latest Practicable Date (as further detailed in the section headed “Business – Licences and Permits”), we will, pursuant to our internal policies, further ensure that all relevant regulatory requirements will be complied with at the launch, and during the lifecycle, of the relevant apps. For the apps with similar description of the main features/themes as listed below, they intend to provide different detailed functions to offer different user experience:

App Category	Title	Development Stage	Expected Lifecycle	Operating System	Main Features/Themes	Target average DAUs (millions)
<i>Expected to launch in 2019 Fourth Quarter</i>						
User System	User System AB	Proposal	Six months	Android	A cleaning app for Android devices	1.0
	User System AC	Under development	Six months	Android	A cleaning app for Android devices	1.0
Games	Games Q	Under development	12 months	Android	A shooting and archery game	0.2
<i>Expected to launch in 2020 First Quarter</i>						
User System	User System I	Proposal	Six months	Android	An antivirus security app	1.0
	User System J	Proposal	Six months	Android	Offer cleaning and monitoring functions for mobile devices	1.0
	User System K	Proposal	Six months	Android	An antivirus security app	1.0
	User System L	Proposal	Six months	Android	A highly customisable launcher for Android devices	0.5
	User System M	Proposal	Six months	Android	A cleaning app for Android devices	1.0
	User System N	Proposal	Six months	Android	A cleaning app for Android devices	1.0
	User System O	Proposal	Six months	Android	Offer cleaning and monitoring functions for mobile devices	1.0
	User System P	Proposal	Six months	Android	Offer eyesight protection functions for users of mobile devices	1.0
Fitness	Fitness D	Proposal	Six months	Android	A step tracker	0.6
	Fitness E	Proposal	Six months	Android	Help users workout and keep fit at home	0.6
Media & Entertainment	M&E G	Proposal	Six months	Android	A video and music player app	1.0
	M&E H	Proposal	Six months	Android	Help users search for and manage music in mobile devices	1.0
Games	Games E	Proposal	12 months	Android & iOS	A game featuring running dogs	0.4
	Games F	Proposal	12 months	Android & iOS	Theme on flower planting	0.4
	Games G	Proposal	12 months	Android & iOS	A card game	0.4
	Games H	Proposal	12 months	Android & iOS	Theme on dragon training	0.4
	Games I	Proposal	12 months	Android & iOS	A strategy and shooting game	0.4
	Games J	Proposal	12 months	Android & iOS	A flower garden game	0.4

BUSINESS

App Category	Title	Development Stage	Expected Lifecycle	Operating System	Main Features/Themes	Target average DAUs (millions)
<i>Expected to launch in 2020 Second Quarter</i>						
User System	User System Q	Proposal	Six months	Android	An antivirus security app	1.0
	User System R	Proposal	Six months	Android	An antivirus security app	1.0
	User System S	Proposal	Six months	Android	A privacy protection and antivirus cleaning tool	1.0
	User System T	Proposal	Six months	Android	A highly customisable launcher for Android devices	0.5
	User System U	Proposal	Six months	Android	A cleaning app integrating various functions	1.0
Fitness	User System V	Proposal	Six months	Android	Offer cleaning and monitoring functions for phones	1.0
	Fitness F	Proposal	Six months	Android	Help users workout and keep fit at home	0.6
	Fitness G	Proposal	Six months	Android	Help users design diet and exercise plans	0.6
	Fitness H	Proposal	Six months	Android	Provide workout guidance to users	0.6
Media & Entertainment	Fitness I	Proposal	Six months	Android	A running app which allows users to ask friends out online to run together	0.6
	M&E I	Proposal	Six months	Android	A music player offering third-party sourced music	1.0
	M&E J	Proposal	Six months	Android	Help users download free music	1.0
	M&E K	Proposal	Six months	Android	A video playback tool	1.0
Games	M&E L	Proposal	Six months	Android	A music player offering third-party sourced music	1.0
	Games K	Proposal	12 months	Android & iOS	A puzzle game featuring daily updated puzzles	0.4
	Games L	Proposal	12 months	Android & iOS	A shooting game	0.4
	Games M	Proposal	12 months	Android & iOS	A basic physics game	0.4
	Games N	Proposal	12 months	Android & iOS	A game featuring cats	0.4

Note:

As of the Latest Practicable Date, the concrete product details of our mobile apps pipeline in 2020 third and fourth quarters were not yet determined; we planned to develop 22 apps in 2020 third quarter, with eight, four, four and six in the User System, Fitness, Media & Entertainment and Games sub-matrix, respectively, and to develop 14 apps in 2020 fourth quarter, with six, two, two and four in the User System, Fitness, Media & Entertainment and Games sub-matrix, respectively.

The expected lifecycle of the mobile apps in pipeline, ranging from six to 12 months, are generally shorter than that of our representative and popular apps ranked top ten by revenue contribution during the Track Record Period or contributed to over 1% of our revenue from proprietary app traffic monetisation business in the six months ended 30 June 2019 and were in operation as of the Latest Practicable Date (the “**Representative Apps**”), which in the view of our Directors is mainly because (i) we typically assess and adjust the lifecycle of our mobile apps after launch in accordance with market conditions and their performance indicators, including without limitation, the monetisation rate, retention rate and user feedback; (ii) we have been employing a moderate product development approach in designing the the lifecycle of our mobile apps and while we had designated a shorter lifecycle for the mobile apps in the pipeline, we may adjust such lifecycle according to the performance of these apps when operating them; and (iii) the Representative Apps were among our best apps with relatively higher monetisation efficiency and performance ratios such as DAU and seven-day retention rate and as a result, we have operated these apps for a longer period.

BUSINESS

As of the Latest Practicable Date, based on our existing information including the performance metrics, monetisation efficiency, user lifetime value and user acquisition cost, we estimated that three apps would cease operation from the Latest Practicable Date up to the end of 2019, with two and one in the User System and Games sub-matrices, respectively; and 61 apps would cease operation in 2020, with 25, 11, 10 and 15 in the User System, Fitness, Media & Entertainment and Games sub-matrices, respectively. As of the Latest Practicable Date, we planned to launch three apps from the Latest Practicable Date up to the end of 2019, with two and one in the User System and Games sub-matrices, respectively; and including the 36 apps to be launched in first quarter and second quarter of 2020 listed in above table, a total of 72 apps would be launched in 2020, with 28, 12, 12 and 20 in the User System, Fitness, Media & Entertainment and Games sub-matrices, respectively. The expected launch market for most of our pipeline apps is the overseas market and we may launch a number of mobile apps in the User System and Fitness sub-matrices in the PRC market depending on market demands. We do not intend to launch any mobile apps in the Games sub-matrix in the PRC market prior to obtaining the relevant license and qualifications requested by the governmental authorities, and we may consider to do so after obtaining the relevant license and qualifications, depending on the PRC and global mobile games market condition by then. The above estimated numbers of apps that would cease operation and apps that we planned to launch are indicative as of the Latest Practicable Date, we intend to assess and adjust the launch time and lifecycle of our apps from time to time in accordance with market conditions and our operational plans.

Monetisation of Solo X Products

We primarily monetise our mobile app products through mobile advertising, the revenue of which accounted for approximately 99.97%, 99.73%, 97.39% and 98.57% of the total revenue of our proprietary app traffic monetisation business for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively. We also monetise our mobile app products by charging the users for the in-app purchase of virtual items and premium features of the apps.

Since the launch of our Solo Launcher in 2013 and by 30 June 2019, we had attracted more than 796.8 million global users and accumulated abundant user data. Our value proposition to advertisers is driven by our large user base, understanding of user interests and demands, and precision targeting of content to the preferred audience in a variety of usage scenarios.

The effectiveness of our monetisation is affected by a number of factors, including the size of our user base, the number of our product offerings and our available ad inventories. The number of average daily impressions delivered on our Solo X product matrix increased from 4.3 million in 2016 to 11.6 million 2018, representing a CAGR of 65.5%, and increased by 314.8% from the first half of 2018 to the first half of 2019. We possess the technical capability to efficiently manage our ad spaces. At the same time, our priority is to achieve a balance between user experience and utilisation of ad spaces.

BUSINESS

During the Track Record Period, we primarily cooperated with top global internet companies acting as third party ad networks or their certified publishers to monetise the ad inventories of our mobile app products. Our Solo X products are connected to the SSP of the ad networks through SDK integration and the ads delivered to and displayed on our products include a broad range of industries, including healthcare, e-commerce, online games, merchant services and social media. Instead of entering into framework agreements and placing orders for each ad campaign, we agree to the terms of service provided by the ad networks by connecting to their platforms as publishers. We charge our advertisers by the number of impressions of the ads delivered on our mobile apps. We typically use CPM as the pricing model for settlement with our advertising customers and the settlement period is typically a month. For the eCPM of our mobile apps during the Track Record Period, please see “– Solo X Product Matrix – Key Operational Data” for details.

We believe that our user-centred and data-driven approach to product development and content delivery, both powered by our AI and big data capabilities, attracts advertisers and drives the growth of our advertising revenues.

We deliver ads on our Solo X product matrix in a variety of formats in accordance with our advertisers’ demand and the compatibility between the ad content and the app content presented to the users of our apps. Depending on the level of integration with app content, our ad formats mainly include native ads, Shuffle ads, banner ads, interstitial ads, interactive ads, and video ads.

Native ads in content feed

Native ads are customised to fit in the information stream of the host app or consistent with the components of the host app user interfaces. Most native ads are integrated into content feeds. They can be pictures, texts, or videos. Native ads in content feed can be displayed on Solo Now’s news feed, Solo Family’s Appwall and the results page of some other Solo Launcher apps such as Solo Boost.

Shuffle

Shuffle is our proprietary ad format and we obtained a design patent in the PRC in 2015. Shuffle is a small icon in the shape of a gift box that appears randomly on the screen of mobile devices. After tapping the gift-box icon, Shuffle will present news feeds, coupon deals or promotions randomly to the users.

Banner ads

Banner ads are rectangular image or text ads placed on top or at the bottom of the host app screen. The ads stay on the screen while the host app is in use, and can refresh automatically at certain intervals. Users may click through the ads if they are interested.

Interstitial ads

Interstitial ads are full-screen image or video that pop up on top of the interface of the host app. They are typically displayed at natural transition points in the flow of an app, such as the launch or exit of an app or between activities within an app. When an interstitial ad is shown, the user has the choice to click through the ad, or close it and return to the app, or wait for the ad to close automatically after a few seconds.

Search ads

Search ads are ads that are displayed when an app shows the results from a user's search queries. Search ads can be displayed when a user generates a search query using Solo Launcher's search bar.

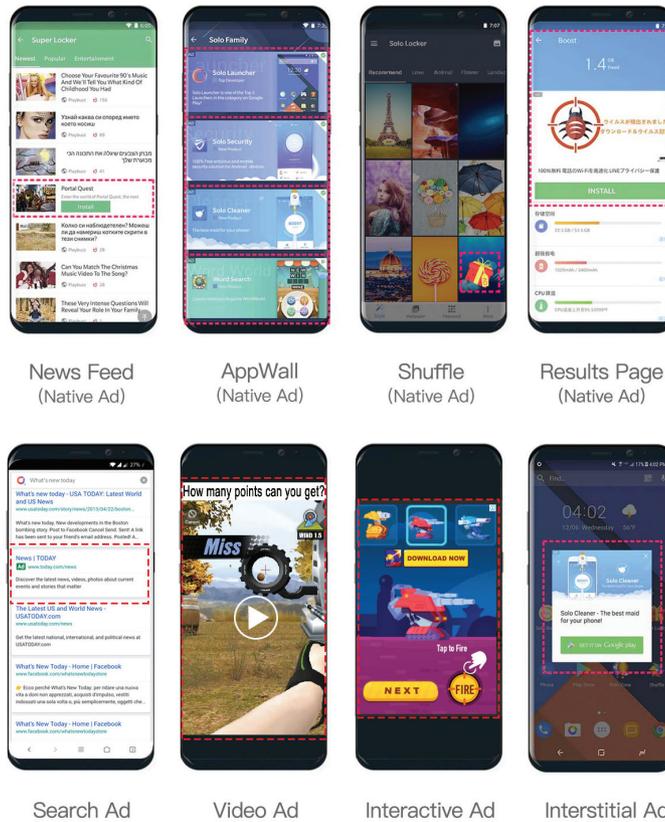
Interactive ads

Interactive ads are typically presented to users as interactive games that pop up from the media publishers that such users are visiting. After viewers click through and interact with advertisements, they will be directed to advertisers' landing pages where they may complete purchases or other actions with the advertisers.

Video ads

Video ads are the pop-up videos displayed while users are watching a stream of videos or reading the content of the host app. Users can choose to play the videos and click on the video for more information or skip them. Rewarded video ads are video ads that users have the option of watching in exchange for in-app rewards.

The follow diagrams illustrate some examples of the ad formats presented on our Solo X products:



Marketing

We promote our Solo X product matrix through in-app cross promotion. We believe users of any one of our Solo X product matrix can readily become interested in trying, and are provided convenient in-app access to, other complementary Solo X products, which create a strong network and synergy effect to cross-market our Solo X products. As Solo Launcher is the users' first entry point to their mobile devices, we have developed user insights and understanding of user preferences through mature machine learning algorithms and system. Our Solo Aware AI technologies enable us to analyse user data and offer precision content recommendation of apps and information to improve user stickiness and user experience and our User System sub-matrix plays a key role in the recommendation mechanism. For example, if the user is identified as a user of our Solo X product, the recommendation of the other products in our Solo X product matrix directed to this particular user while he/she is using our product(s) would be selective and tailored based on our analysis of his/her needs and preferences.

BUSINESS

We market our brand, products and services globally to mobile internet users primarily through top global internet companies or through their respective agencies. As such internet companies are amongst the top media platforms in the mobile internet industry, we cooperate closely with them to launch the advertising campaigns of our proprietary mobile app products, leveraging their user acquisition services to achieve satisfying promotion results and high ROI.

We also attend tech conferences for business development and marketing of our brand and services to our global business partners. We have opened account homepage on top global social media to establish our brand image and maintain our user base. We promote our brand, products and services on such media platforms through posts, pictures and short films.

Mobile Advertising Platform Services

Leveraging the experience of developing, marketing and monetising the mobile apps in our Solo X product matrix, we are also engaged in mobile advertising platform service, providing user acquisition solutions for app developers when they are advertisers and monetisation solutions for app developers when they are publishers. Powered by our Solo Aware AI engine, our proprietary programmatic advertising platform Solo Math serves both advertisers whom we charge for our user acquisition services and publishers to whom we pay ad inventories acquisition costs for presenting ads on their ad spaces. Our Solo Math platform is comprised of four different modules designed to serve different functions in mobile advertising, namely the ad exchange SAX, the ad network SP, the supply side platform SFP and the demand side platform SRTB, covering the key roles in the industry value chain of programmatic mobile advertising. We may employ more than one modules to provide mobile advertising services for our advertisers in accordance with their user acquisition requirements, aiming to provide different ad delivery strategies, target advertising algorithms, ad performance tracking and optimisation plans, transaction mechanisms and publisher resources for them. We charge the advertisers for placing the ads and pay ad inventory acquisition costs to the publishers regardless of the number of modules employed. We also provide the intermediary media buy service for advertisers, which is to purchase ad inventories for advertisers mainly from top global internet companies.

During the Track Record Period, we had been focussing on upgrading our programmatic mobile advertising platform service and further established our Solo Math brand name. Our revenue from programmatic advertising and related business increased from RMB58.5 million in 2016 to RMB172.8 million in 2018, representing a CAGR of 71.9%. Revenue from programmatic advertising and related business as a percentage of our total revenue generated by mobile advertising platform and related business increased from 51.8% in 2016 to 94.1% in 2018. Our revenue from programmatic advertising and related business slightly decreased from RMB73.4 million in the six months ended 30 June 2018 to RMB69.8 million in the same period of 2019 mainly due to a decrease in the revenue generated via the SP module, which was partially offset by an increase in the revenue generated via the SAX module. Consistent with industry norm according to iResearch, SP as an ad network mainly connects small- and medium-sized publishers to the best of our Directors' knowledge. Our Directors believe that our advertisers reduced their advertising spending via the SP module in the first half of 2019

BUSINESS

in view of uncertainties in the global and local economies. Subsequent to the Track Record Period and up to 31 October 2019, the revenue generated via both SP and SAX recorded increases compared with the same period in 2018 based on our unaudited management accounts. The revenue of programmatic advertising as a percentage of our total revenue generated by mobile advertising platform and related business increased to 99.8% in the six months ended 30 June 2019 as we further reduced the media buy service.

Our Value Proposition to Publishers and Advertisers

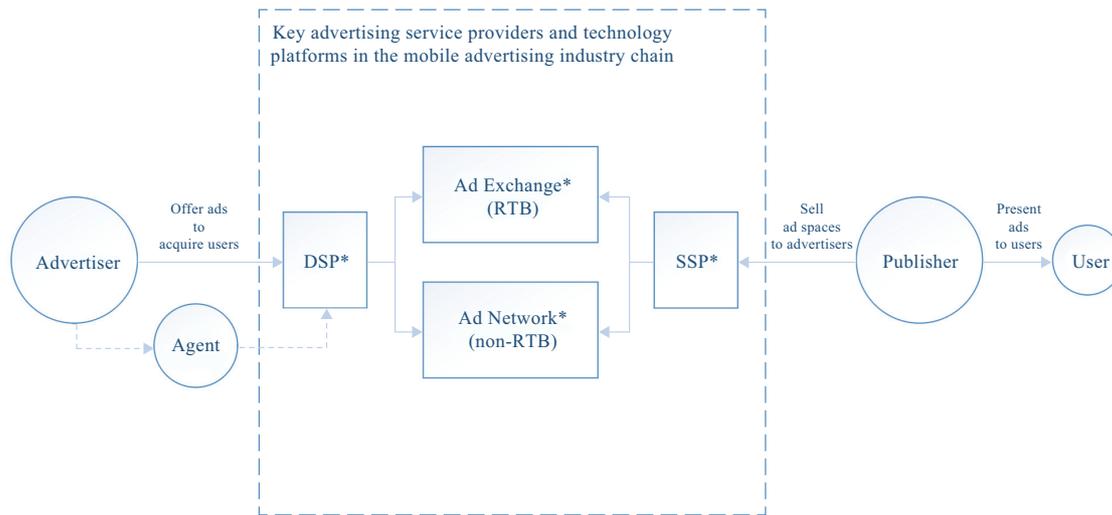
Mobile advertising market involves advertisers, advertising service providers (also known as ad agencies), publishers and mobile device users. Publishers supply user traffic and achieve monetisation through mobile advertising, while advertisers place multiple forms of ads on a variety of publishers to reach users in various countries and regions. Leveraging the target advertising technologies built upon our AI algorithms and big data capabilities, we are an ad agency dedicated to operating and optimising mobile advertising activities through our proprietary mobile advertising platform Solo Math for our customers and we offer user acquisition service to advertisers and monetisation service to publishers.

Our publishers are mainly app developers who need to monetise their apps through offering their ad spaces and we act as an advertising service provider to help developers sell ad inventory to advertisers of different sizes and achieve their monetisation goals. We offer tools and services to app developers that allow their apps to deliver ads in various ad formats such as native, banner, interstitial and videos. Our advertisers are mainly app developers, brand advertisers and ad agencies through which we provide user acquisition services to the ultimate advertisers they represent. We offer advertisers tailor-made marketing strategies to optimise their mobile advertising campaigns in accordance with the different life cycles of their apps and achieve their user acquisition goals. Our data-driven mobile advertising platform services help advertisers discover, engage and activate potential users, monitor and measure the results of marketing campaigns, and create content customised for potential users across different content distribution channels through mobile devices.

Leveraging our strong AI capabilities and big data analytics powered by Solo Aware, we also analyse ad interaction and performance data to achieve more accurate audience profiling and more precise targeting in advertising campaigns. We can reach more than 300 million unique mobile devices and process billions of requests worldwide per day with rapid response time in milliseconds. Additionally, we employ highly scalable data storage and processing platform based on well-established third-party cloud platform services that enable us to deal with information from a large numbers of devices.

BUSINESS

Our mobile advertising platform services primarily feature programmatic advertising. The key roles of programmatic mobile advertising industry value chain include demand side platforms (DSP), supply side platforms (SSP), ad exchanges (usually RTB based) and ad networks (usually non-RTB based), and our Solo Math advertising platform provides services in all these sectors. The following flowchart illustrates the process of programmatic advertising and the services that our Solo Math platform can provide:



Note: * indicates the service which our Solo Math platform offers

As presented in the above flowchart, a typical RTB and impression-based ad transaction involves an ad exchange as the marketplace, with multiple DSPs connecting the app developers (as advertisers) on one side, and multiple SSPs connecting the app developers (as publishers) on the other side; and similarly, a typical non-RTB and performance-based ad transaction involves an ad network as the marketplace connecting DSPs on one side and SSPs on the other.

The advertisers of our Solo Math programmatic advertising platform can select the impression-based ad exchange SAX or the performance-based ad network SP to realise their user acquisition goals. SRTB is a demand side platform and designed to serve as a gateway to help the advertiser who does not implement the OpenRTB protocol by itself to connect to SAX in the protocol of OpenRTB. SFP is able to help advertisers, either the advertisers of SAX or SP (as the case may be) or its own advertisers, sell their ads to the publishers. Depending on the requirements of advertisers, the ad transactions operated on our Solo Math platform may require the participation of more than one modules. Regardless of the number of modules connected, we charge our advertisers for placing the ads and recognise the revenue as generated by the one module connecting the advertisers directly and are charged for ad inventory acquisition costs by our publishers. For example, we may provide user acquisition services to an ad network representing app developers (as our customer or advertiser), by integrating it to our SP module, which then acquire ad spaces on mobile apps through our supply side platform SFP. The amount we charge the ad network is recognised as the revenue and the ad inventory acquisition costs charged by our publishers as the cost of advertising placement.

Solo Math Programmatic Advertising Platform

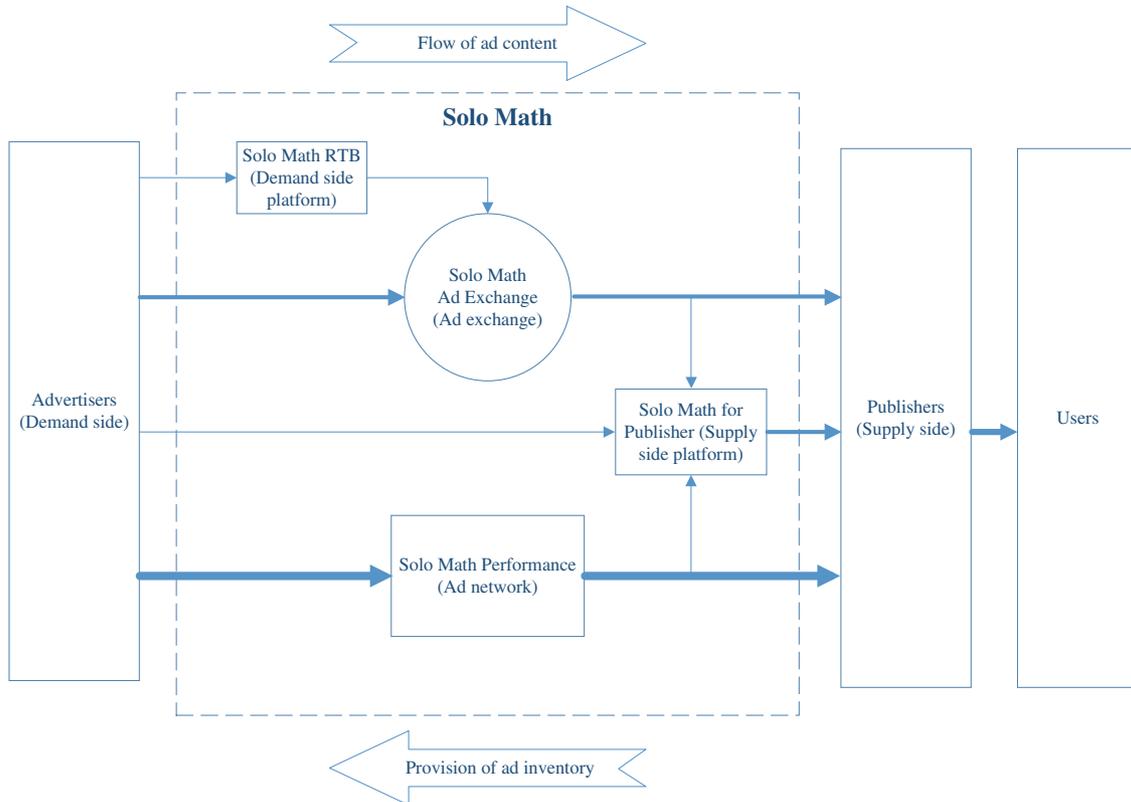
Solo Math is a programmatic advertising platform which functions like an AI-powered supermarket of ad inventories. Publishers place their ad inventories in the supermarket shelf, advertisers bid for the ad space that meet their ad campaign parameters and specific marketing demands and Solo Math employs automated procedures to settle the transactions. The key functions of our advertising platform are aggregating ad spaces from publishers and matching them with advertisers' demand by employing a central ad server to deliver and present ads to users, which enables targeting, tracking and reporting of impressions or actions. Solo Math is able to monitor a full behaviour cycle of a user's interaction with the ad, from the click on the host app, interaction with the ad, click on the ad's landing page and actions subsequent to viewing the ad through SDKs and APIs. Such technologies and data are critical in optimisation of campaign performance, which can help achieve precision targeting and improve ROI of ad campaigns for advertisers.

Through continued research and development efforts in integrating the upstream and downstream of the mobile advertising industry, we have established four modules in our Solo Math platform, namely:

- *Solo Math Ad Exchange (SAX)*, which is a Solo Aware-powered RTB-based automated marketplace for ad deliveries connecting not only SSPs and DSPs including our proprietary supply and demand side platforms, but also other ad exchanges;
- *Solo Math Performance (SP)*, which is a performance-based ad network aggregating ad campaigns from advertisers, evaluating such campaigns based on different performance prediction calculated by our Solo Aware AI technologies, and providing them with compatible ad inventories from publishers;
- *Solo Math For Publisher (SFP)*, our proprietary SSP for publishers, which is able to call ad networks and exchanges including our proprietary SAX and SP and DSPs for selling of ad inventories;
- *Solo Math RTB (SRTB)*, our proprietary DSP for advertisers, which allows advertisers to select from or bid for ad inventories supplied from multiple platforms and sources.

BUSINESS

The following flowchart and case study illustrate how the four modules of Solo Math platform function and provide mobile advertising services:



Case study:

- Advertiser X, an ad agency representing app developers, engaged us for our performance-based user acquisition service. We integrated Advertiser X to our SP module and we acquired ad inventories provided by the publishers connected to SP to display the ads of Advertiser X. After verifying the ad delivery data with Advertiser X, we issued invoices to settle payments with Advertiser X on a CPA basis and such amounts were recognised as the revenue of SP. The publishers connected to SP charged us for the acquisition cost of ad inventories and such cost was recognised as the cost of advertising placement.
- Advertiser Y, an ad agency representing app developers, engaged us for our OpenRTB-based user acquisition service. We integrated Advertiser Y to SAX through SRTB¹ in the protocol of OpenRTB. SRTB helped Advertiser Y participate in the real-time bidding for the ad inventories provided by publishers connected to SAX and displayed the ads of Advertiser Y when the bidding was successful. After verifying the ad delivery data with Advertiser Y, we issued invoices to settle

1. When an advertiser can employ the OpenRTB protocol by itself, it may connect to SAX directly without engaging SRTB; the process of the ad delivery and settlement basis will remain the same as discussed in this case, while the revenue would be recognised as that of SAX.

BUSINESS

payments with Advertiser Y on a CPM basis and such amounts were recognised as the revenue of SRTB. The publishers connected to SAX charged us for the acquisition cost of ad inventories and such cost was recognised as the cost of advertising placement.

- Advertiser Z, an ad exchange, engaged us for our user acquisition service. We integrated Advertiser Z to our SFP module and we acquired ad inventories provided by the publishers connected to SFP to display the ads of Advertiser Z. After verifying the ad delivery data with Advertiser Z in accordance with the relevant contract, we issued invoices to settle payments with Advertiser Z on a CPM basis and such amounts were recognised as the revenue of SFP. The publishers connected to SFP charged us for the acquisition cost of ad inventories and such cost was recognised as the cost of advertising placement. Such scenario had become less common in our operation since the launch of SP and SAX.

For the detailed description of our services provided to the advertisers, please see “– Solo Math Ad Exchange”, “– Solo Math Performance”, “– Solo Math For Publisher” and “– Solo Math RTB” below.

The following table sets forth a breakdown of our revenue from the programmatic advertising services by modules for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
SP	2,722	4.7	118,434	87.9	138,093	87.0	67,647	92.2	59,210	84.8
SFP ⁽¹⁾	55,795	95.3	16,352	12.1	9,216	5.8	4,213	5.7	1,627	2.3
SAX	-	-	-	-	11,374	7.2	1,551	2.1	8,830	12.7
SRTB ⁽²⁾	-	-	-	-	6	0.0	-	-	120	0.2
Total	58,517	100.0	134,786	100.0	158,689	100.0	73,411	100.0	69,787	100.0

Notes:

- (1) Revenue generated in transactions involving both SFP on the one hand and SAX or SP on the other is recognised as the revenue of SAX or SP, as the case may be, and excluded from the revenue of SFP.
- (2) The revenue generated from SRTB was insignificant as we launched the SRTB module in late 2018 and its business scale remained relatively small as at 30 June 2019.

BUSINESS

The following table sets forth the key features of our four programmatic advertising modules:

	Solo Math Ad Exchange (SAX)	Solo Math Performance (SP)	Solo Math For Publisher (SFP)	Solo Math RTB (SRTB)
Role	Ad exchange	Ad network	SSP	DSP
Key features	RTB-based	Performance-based	Access to app developers as publishers directly	Connect app developers to RTB-based ad exchanges
Primary pricing model with advertisers⁽¹⁾	CPM	CPA	CPM	CPM
Primary pricing model with publishers⁽¹⁾	CPM	CPA	CPM	CPM
Connection method	API (OpenRTB protocol)	API	SDK and API	API
Parties/ Platforms connected	SFP, SRTB, third-party ad exchanges, SSPs and DSPs	SFP, third-party ad networks, SSPs and DSPs	SAX, SP and third-party ad platforms and app developers as publishers	SAX and app developers as advertisers
Target customers⁽²⁾	Ad agencies representing app developers and brand advertisers	Ad agencies and app developers	Ad agencies representing app developers and brand advertisers	App developers, brand advertisers and ad agencies
Services provided	Provide a RTB-based marketplace for advertisers and publishers to buy and sell ad inventories	Provide a performance-based marketplace for advertisers and publishers to buy and sell ad inventories	Connect publishers to ad platforms for the monetisation of their ad inventories	Provide app developers and brand advertisers with more direct connection to SAX for user acquisition
Range of charges⁽³⁾	US\$0.002-27.8 ⁽⁴⁾	US\$0.01-147.0 ⁽⁴⁾	⁄ ⁽⁵⁾	US\$0.01-9.9 ⁽⁴⁾

Notes:

- (1) the pricing models we use to charge our advertisers and pay our publishers are based on the features of the advertising service we provide.
- (2) our target customers make payments to us for the purchase of ad inventories.
- (3) the maximum and minimum of CPM recorded during the Track Record Period for SAX and SRTB; and the maximum and minimum of CPI for each campaign during the Track Record Period for SP.
- (4) the charges vary depending on a number of factors such as the types of the advertisers' apps, the geographic locations for ad deliveries and different user acquisition requirements of the advertisers.
- (5) pricing information involving both SFP on the one hand and SAX or SP on the other is attributed to SAX or SP, as the case may be, and excluded from the pricing information of SFP. When SFP facilitates the sale of ad inventories without the participation of SAX or SP, it does so via third party ad platforms and the pricing information of individual transactions are recorded by such third party ad platforms but not us.

Solo Math Ad Exchange

Our SAX module is a programmatic ad exchange based on OpenRTB developed by IAB, which provides open industry protocols and standards for communication between sellers and buyers of ad spaces. Launched¹ in May 2018, SAX employs OpenRTB standards to simplify the connection between suppliers of ad inventories and competitive buyers of such inventories. Acting as an online marketplace, SAX connects third-party ad exchanges, DSPs and our proprietary SRTB on the advertisers' side and connects third-party ad exchanges, SSPs and our proprietary SFP on the publishers' side. SAX can trade ad inventories and generate revenue from advertisers primarily consisting of ad agencies representing app developers and brand advertisers through API connections.

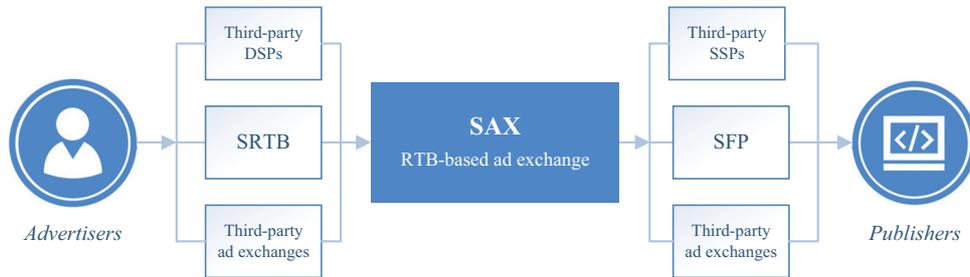
Programmatic advertising on SAX is realised via the RTB mechanism which allows the buying and selling of ad spaces online by real-time auctions that occur in milliseconds. SAX facilitates the sale of ad inventory on an impression-by-impression basis and allows advertisers to bid against each other to display their ads to users who are most likely to be interested in them. DSPs connected to SAX grant advertisers RTB access to multiple sources of ad inventories and SSPs connected to SAX allow publishers to sell ad spaces automatically. A typical programmatic advertising transaction SAX delivers is composed of the following steps:

- a user visiting an app, which triggers a bid request that can include various pieces of data such as the user's demographic information, browsing history, location, and the page being loaded;
- the request being delivered from the app being used (the publisher) to a SSP which calls SAX, which then submits the request and the accompanying data to multiple advertisers who automatically submit bids in real time to deliver and place their ads;
- the SSP evaluating the validity of the bid requests; and
- the ad of the highest bidder serving and presenting on the app.

1. We consider our mobile advertising platform to be launched when we started to record operational data for such platform.

BUSINESS

This process is repeated for every ad impression of the publisher. Each programmatic advertising transaction on SAX is realised in milliseconds (from receiving the bid request to bid response). The following flowchart illustrates how our SAX module functions:



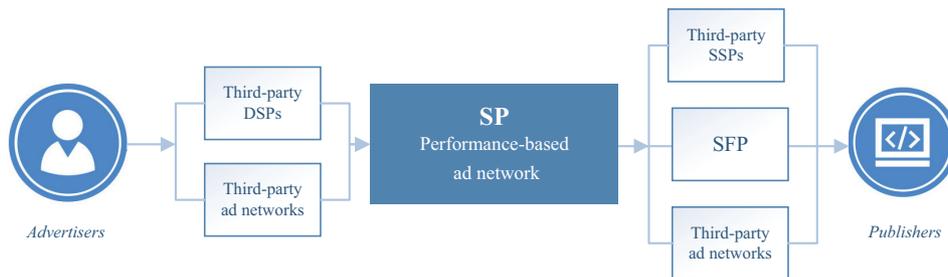
Publishers' ad inventories are produced when users access the app and the ad spaces within the app are offered to advertisers for presenting their ads to users instantaneously. Available ad spaces of publishers would be forfeited when no ads are presented to users and such ad inventories would thus become unsold. SAX enables publishers to sell their remnant ad inventories in a high level of granularity, thus improving the monetisation efficiency for publishers. We employ ad quality verification technologies to monitor and ensure the users of publishers are not exposed to disruptive and inappropriate ads and have enhanced user experience.

Through automated trading of ad inventories at scale across a broad range of media resources, advertisers can bid for compatible ad spaces at reasonable costs. The bidding on SAX occurs autonomously and advertisers set maximum bids and budgets for an advertising campaign. RTB allows for targeting advertising, serving ads to users directly based on their demographic, psychographic, or behavioural attributes. The criteria for bidding on particular types of ad deliveries takes into account detailed behavioural profiles of users and conversion data. Through machine learning of ad transaction data processed on SAX including bidding prices, our Solo Aware AI technologies enable SAX to evaluate the estimated revenue of an ad request being delivered, filter the bidding request with low profitability and offer better-quality ad inventories to advertisers. We also employ traffic fraudulent detection technologies to improve the viewability of ads offered by the advertisers and quality of ad inventories.

The large amount of daily ad requests processed on SAX also provides rich transaction data by tracking each ad delivery. SAX employs machine learning to study such accumulated data and continuously optimise our algorithms in order to improve the revenue, lower our server and infrastructure cost and realise higher advertising efficiency.

Solo Math Performance

Our SP module is an ad network aggregating ad campaigns from advertisers, evaluating such campaigns based on different performance prediction calculated by our Solo Aware AI technologies, and providing them with compatible ad inventories from publishers. Launched in September 2016, SP primarily connects third-party ad networks and DSPs on the advertisers' side and connects third-party ad networks, SSPs and our proprietary SFP on the publishers' side. SP can trade ad inventories and generate revenue from advertisers mainly consisting of ad agencies and app developers through API connections. The following flowchart illustrates how our SP module functions:



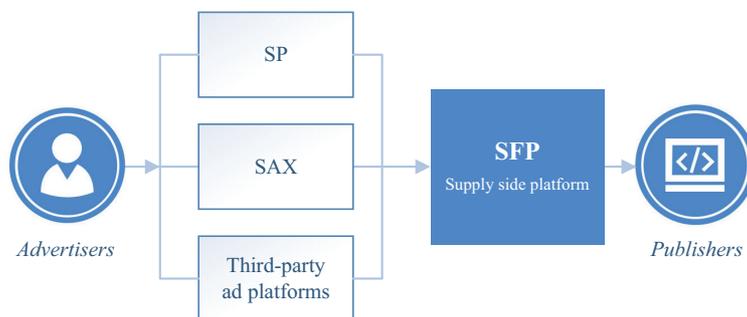
We provide one-stop cross-media user acquisition services for advertisers connected to our SP module. To increase the efficiency of user acquisition and improve ROI for advertisers, SP presents advertisers with selected groupings of ad inventories according to specific parameters that have been curated for or set by the advertisers. SP's ad server powers ad targeting, tracking and reporting on the advertising campaigns. Advertisers connected to SP can set up the advertising campaigns and create ad delivery instructions in specificity, which enables advertisers to acquire media resources without having to negotiate with publishers for each advertising campaign. In order to achieve targeting of ads at a granular level, advertisers connected to SP is able to set specific campaign parameters including but not limited to budget, geolocation, frequency caps, and type of operating system. We allow advertisers to track performance of each ad delivery via a tracking url, to verify the conversion data, and to review consolidated reporting on campaign performance across multiple publisher platforms for optimisation. SP is a performance-based platform and we typically use CPA as the pricing model for settlement with both our advertisers and our publishers. Our advertisers pay us if users install the app being advertised or perform a specific action such as clicking the ads or engaging with the landing page of the ads.

SP is a platform for publishers to offer and monetise their premium and remnant ad inventories through API integration. As our publishers are automatically connected to diverse advertising campaigns and advertisers including different categories of apps on SP, ad content matching a publisher' feature would be selected for ad delivery. SP's interface and dashboard allows publishers to monitor the evolution of their monetisation strategy and make adjustments instantaneously in order to maximise fill rates and increase ad revenue.

Solo Math For Publisher

Our SFP module is the supply side platform of Solo Math launched in October 2014, which allows publishers to supply their ad spaces and access advertising demand on ad exchanges and networks including our proprietary SAX and SP. Publishers on SFP are developers who connect to SFP through SDK or API integration. Before the launch of SP, SFP primarily participated in ad transactions in connection with external advertisers such as third-party ad platforms; along with the launch of SP in September 2016 and SAX in May 2018, SFP was redesignated to function less independently and gradually reduced the amount of ad transactions in connection with external ad platforms, directed its publisher resources to our internal SP and SAX modules and was responsible for connecting publishers on the supply side of ad transactions operated by SP or SAX. We typically use CPM as pricing model for settlement with our SFP connected publishers. The publishers connected to SFP include games, media, utilities and other apps.

SFP enables app developers to monetise their ad inventories via SDK or API connection. Our SDKs are organised in a variety of versions for different platforms and environments including the Android operating system and iOS. API connection is a common interface implemented separately in the publishers' app codes by the publishers and in our advertising platform system by us for exchanging data to achieve automatic ad delivery and data feedback. Publishers can offer their ad spaces in various formats such as banners, interstitial ads, video ads and native content feed for ad delivery. SFP allows the publishers to review the data reports and monitor the monetisation metrics. Our SFP algorithms would organise the ad sources in a way that aims to yield the highest CPMs and increase revenue for publishers and SFP automates the selection of the highest offer from advertisers on a variety of platforms and serves the optimal ad to help the publishers to increase fill rates and maximise their CPMs. The following flowchart illustrates how our SFP module functions:

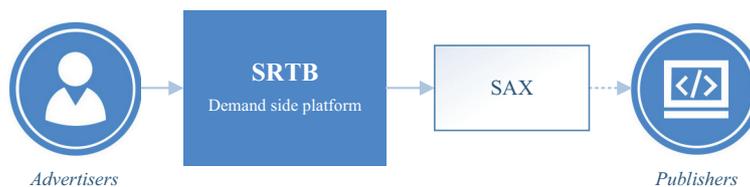


Solo Math RTB

Our SRTB module is a DSP designated to provide user acquisition and brand marketing services to advertisers by purchasing high-quality ad inventory from publishers in real time. SRTB was launched in late 2018 in order to enhance our cooperation with app developers and brand advertisers in need of user acquisition service and to expand our advertiser base for SAX-operated ad transactions.

SRTB leverages our strong AI capabilities to help advertisers acquire users through a programmatic and automatic process that aims to run effective and high-ROI campaigns. Being connected to SAX, our SRTB module is able to connect advertisers including app developers, brand advertisers and ad agencies in the protocol of OpenRTB. SRTB enables advertisers, in particular the app developers and brand advertisers, to purchase ad inventories offered by publishers through the SAX module of Solo Math.

SRTB allows us to manage the entire process of a programmatic user acquisition ad campaign for our advertisers. We can help advertisers manage their ads and ad style templates and define the target user characteristics and other parameters of their campaign. We offer ad design and integration support service for advertisers to help them customise ad formats and achieve better marketing results. SRTB can employ Solo Aware AI technologies such as probabilistic models to determine the probability of a click or a conversion given the user history data, thereby allowing advertisers to target specific audiences based on demographics, behaviour, interests by predicting and evaluating ad delivery results of a planned advertising campaign of the advertisers. SRTB automatically suggests an optimised ad delivery plan and can analyse the yield and value of different channels to propose a cost-efficient mix for media budget allocation and purchase ad inventories offered by publishers programmatically. Being connected to advertisers, SRTB can process and understand user data and user interactions by analysing device location, frequency and time information. Through modification of user tags, SRTB predicts users' preferences and intentions through data screening and data mining, which enables us to deliver relevant ad content to users in a variety of scenarios. In addition, powered by our Solo Aware AI algorithms, SRTB employs look-alike technologies and automatically delivers suitable ads to targeted mobile device users with similar preferences and interests and tracks their interaction with the ads. The following flowchart illustrates how our SRTB module functions:



BUSINESS

Key Operational Data

We launched SFP in October 2014. Subsequently, we launched SP in September 2016 and SAX in May 2018 leveraging the publisher base accumulated through the operation of SFP. The launch of SP and SAX facilitated not only the sale of ad inventories from SFP, but also ad transactions through their connections with third party ad platforms significantly enlarged our advertiser and publisher bases and, in turn, fostered the growth of our revenue. In late 2018, we further launched SRTB, which is our proprietary DSP for advertisers and helps the advertisers who cannot implement the OpenRTB protocol to connect with SAX in the protocol of OpenRTB, and its business scale was relatively small as at 30 June 2019. SRTB is not designed to connect with publishers and therefore was not connected to and had not transacted with any third-party ad agencies (as publishers) up to the Latest Practicable Date.

For the purpose of our operational data compilation in the table below, (i) operational data of the ad transactions involving both SFP on the one hand and SAX or SP on the other are attributed to SAX or SP, as the case may be, and excluded from the operational data of SFP; for example, if an ad is delivered via SAX on an ad space facilitated by SFP, this is counted in the calculation of average number of monthly ads delivered by SAX, but not SFP; (ii) the operational data of SFP only represents SFP's operations in connection with third party ad platforms without the participation of SAX or SP; and (iii) the average number of monthly ads delivered, unique mobile devices reached per day, the number of impressions, CPM and eCPM of the SRTB were included in corresponding indicators of the SAX as SRTB was involved only in SAX-operated ad transactions. The following table sets forth certain operational data of our Solo Math programmatic mobile advertising platform for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2016	2017	2018	2019
Solo Math Ad Exchange (SAX)⁽¹⁾				
Average number of monthly ads delivered (millions) ⁽²⁾	–	–	610.2	599.1
CPM (RMB) ⁽³⁾	–	–	2.3	2.5
eCPM (RMB) ⁽⁴⁾	–	–	0.6	0.7
Unique mobile devices reached per day (millions) ⁽⁵⁾	–	–	214.0	166.9
Number of impressions (millions) ⁽⁶⁾	–	–	4,881.4	3,594.7
Number of publishers (ad agencies) connected and transacted	–	–	58	51
Number of advertisers (ad agencies) connected and transacted	–	–	64	51
Average spending per advertiser (RMB'000) ⁽⁷⁾	–	–	177.7	173.1

BUSINESS

	For the year ended 31 December			For the six months ended 30 June
	2016	2017	2018	2019
	Solo Math Performance (SP)⁽¹⁾			
Average number of monthly ads delivered (millions) ⁽²⁾	488.8	5,609.9	6,765.5	8,590.0
CPI (RMB) ⁽³⁾	2.0	4.9	4.8	4.8
eCPI (RMB) ⁽⁴⁾	1.7	2.8	2.6	2.6
Unique mobile devices reached per day (millions) ⁽⁵⁾	3.1	33.9	40.1	52.5
Number of installs (millions) ⁽⁸⁾	1.3	24.0	28.9	12.3
Number of publishers (ad agencies) connected and transacted	82	262	320	174
Number of advertisers (ad agencies) connected and transacted	59	223	438	199
Average spending per advertiser (RMB'000) ⁽⁷⁾	46.1	531.1	315.3	297.5
Solo Math For Publisher (SFP)⁽¹⁾				
Average number of monthly ads delivered (millions) ⁽²⁾	130.4	54.5	27.5	9.7
CPM (RMB) ⁽³⁾	35.6	25.0	27.9	28.0
eCPM (RMB) ⁽⁴⁾	24.4	22.4	36.2	44.3
Unique mobile devices reached per day (millions) ⁽⁵⁾	6.2	2.6	1.3	0.5
Number of impressions (millions) ⁽⁶⁾	1,565.2	653.6	329.8	58.2
Number of publishers (ad agencies) connected and transacted	228	311	412	393
Number of advertisers (ad agencies) connected and transacted	2	5	12	9
Average spending per advertiser (RMB'000) ⁽⁷⁾	27,897.3	3,270.3	768.0	180.8
Solo Math RTB (SRTB)⁽¹⁾				
Number of advertisers (ad agencies) connected and transacted	–	–	1	1
Average spending per advertiser (RMB'000) ⁽⁷⁾	–	–	6.0	120.0
Solo Math (Total)				
Unique mobile devices reached per day (millions) ⁽⁹⁾	9.3	36.5	255.4	219.9
Number of impressions (millions) ⁽⁶⁾	1,565.2	653.6	5,211.1	3,652.9
Number of installs ⁽⁸⁾	1.3	24.0	28.9	12.3
Number of publishers (ad agencies) connected and transacted ⁽¹⁰⁾	301	527	712	546
Number of advertisers (ad agencies) connected and transacted ⁽¹⁰⁾	39	173	387	208
Average spending per advertiser (RMB'000) ⁽⁷⁾	1,500.4	779.1	410.0	335.5

BUSINESS

Notes:

- (1) As (i) SFP is a supply side platform which can connect to both SP and SAX, and (ii) SRTB is a demand side platform which only connected to SAX up to the Latest Practicable Date, depending on the requests of advertisers, the ad transactions may require the participation of more than one module; subject to the explanations above, such overlapping data was excluded in all the operational data listed in this table.
- (2) calculated as the average of the number of page views (for SAX and SFP) or clicks (for SP), in each month during the indicated period.
- (3) the average CPM (for SAX and SFP) and CPI (for SP) are calculated as the revenue of the indicated module during the indicated period divided by the number of page views in that period (divided by 1,000) and by the number of installs in that period, respectively.
- (4) the average eCPM (for SAX and SFP) and eCPI (for SP) are calculated as the cost for advertising placement of the indicated module during the indicated period divided by the number of page views in that period (divided by 1,000) and by the number of installs in that period, respectively.
- (5) calculated as the average of the number of devices which called the advertising platform in each day during the indicated period; multiple calls in a day from the same device are only counted once for that day.
- (6) calculated as the number of page views in the indicated period; the total number of impressions of Solo Math is an aggregate of the number of impressions of SAX and SFP.
- (7) calculated as the total revenue of the indicated module during the indicated period divided by the number of advertisers (ad agencies) connected by such module in that period; average spending per advertiser may vary significantly, attributable to the nature, scale and advertising budget of the advertisers we connected.
- (8) calculated as the number of downloads of apps in the indicated period; the total number of installs of Solo Math equals to the number of installs of SP.
- (9) an aggregate of the unique mobile devices reached per day for the modules without excluding the overlapping devices reached for SAX and SP as SAX is an RTB-based ad exchange and SP is a performance-based ad network.
- (10) excluding (i) the number of overlapping advertisers/publishers among the different modules of Solo Math and (ii) the multiple accounts on Solo Math platform held by one advertiser/publisher.

The analysis of the operational trend of our Solo Math programmatic mobile advertising platform during the Track Record Period is set forth as follows:

SAX. We focussed on publishers that we deemed to be of higher quality in the first half of 2019 and improved our services to them, such as facilitating such publishers' sending multiple requests to SAX and also allowing them to send pre-requests in order to further increase matching efficiency and improve precision of ad deliveries. As a result, the average number of monthly ads delivered and the number of impressions in the first half of 2019 decreased slightly compared with 2018 and the unique mobile devices reached per day also decreased, while we were able to increase the CPM of SAX from RMB2.3 in 2018 to RMB2.5 in the first half of 2019. As advertisers generally tend to allocate a significant portion of their mobile advertising budgets in the fourth quarter of each calendar year, the average spending per advertiser we recorded in 2018, which mainly comprised of the data for seven months ended 31 December 2018 as SAX was launched in May 2018, was slightly higher compared with the first half of 2019.

BUSINESS

SP. The average number of monthly ads delivered and unique mobile devices reached per day recorded a relatively stable growth during the Track Record Period as we continued to expand the scale of SP and optimise our performance-based user acquisition solutions for our advertisers; similarly, the number of installs increased from 2016 to 2018 and the decrease in the first half of 2019 was mainly due to the seasonality fluctuation of the mobile advertising market as mentioned above. Since the launch of SP in September 2016, the CPI and eCPI remained relatively stable during the Track Record Period after the initial growth stage in 2016. During the period from 2017 to 2018, we continued to make efforts to expand our advertiser base and we recorded an increase in the number of advertisers (ad agencies) connected and transacted; the revenue derived from SP recorded an increase, but with the number of the advertisers (ad agencies) connected and transacted increasing at a faster pace, it had resulted in the decrease in the average spending per advertisers in 2018 as compared with 2017. Our Directors believe that as we intensified our efforts to increase the market penetration of SP in the programmatic mobile advertising industry, aside from large-scale and leading ad platforms, we may also reach smaller advertisers who tend to spend less with us and the decrease in the average spending per advertiser in 2018 did not have a significant impact on our business as we were able to increase the revenue of SP by 16.6% from 2017 to 2018 and the CPI of SP remained relatively stable.

SFP. Since the launch of SP in September 2016 and SAX in May 2018, SFP's function in our Solo Math advertising platform was redesignated to be more auxiliary and supporting to the operations of SP and SAX, which resulted in the decrease of SFP's average number of monthly ad delivered, unique mobile devices reached per day and the number of impressions and the fluctuation of CPM and eCPM. The eCPM in 2018 and 2019 were higher than CPM was mainly because the revenue generated from transactions involving both SFP on one hand and SAX or SP on the other is recognised as the revenue of SAX or SP, as the case may be, and excluded from the revenue of SFP, while the cost for advertising placement of such transactions is recognised as that of SFP due to its nature of a supply side platform. In 2016 and 2017, SFP connected to and transacted with two and five advertisers, respectively, on the other hand, it connected to and transacted with 228 and 311 publishers, respectively, thus we were able to provide a large amount of available ad inventories for the advertisers. The average spending per advertiser for SFP was therefore at a large scale in 2016 and 2017 and recorded a decreasing trend primarily because SFP had directed its publisher resources to the advertisers of SP and SAX during the Track Record Period and the advertisers of SFP therefore gradually acquired less ad inventories from SFP and based on our internal records, its two advertisers in 2016 did not connected to or transacted with SFP in the following years during the Track Record Period. SFP continued to operate in the function of a supply side platform and the number of publishers (ad agencies) connected and transacted recorded a stable growth during the Track Record Period.

BUSINESS

SRTB. Launched in late 2018, SRTB is designed to serve as a gateway assisting the advertiser who cannot implement the OpenRTB protocol by itself to connect with SAX and participate in the automated ad transactions and deliveries in the protocol of OpenRTB. SRTB was connected to one advertiser during the Track Record Period and the average spending per advertising was indicative of the amount of revenue generated from such advertiser in ad transactions operated with the participation of both SRTB and SAX, while such amount of revenue was recognised in the revenue of SRTB instead of SAX.

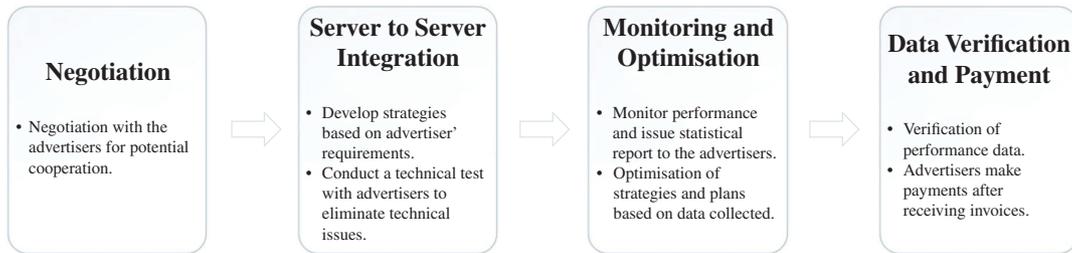
Solo Math. The unique mobile devices reached per day for our Solo Math platform in total increased significantly in 2018 mainly because we launched the the RTB-based ad exchange SAX, which is highly automated and programmatic when operating ad transactions; and it slightly decreased in the first half of 2019 primarily due to the shift of our focus to publishers with higher quality for SAX. The total number of advertisers and publishers (ad agencies) connected to and transacted with our Solo Math platform recorded a stable growth during the Track Record Period as we have continued to expand our advertiser and publisher bases. The decrease of the average spending per advertiser for Solo Math platform during the Track Record Period was mainly attributable to the decrease of average spending per advertiser for SP and SFP as explained in above and for the 39 advertisers of Solo Math in 2016, based on our internal records, some of them no longer connected to or transacted with Solo Math in the following years during the Track Record Period and instead, we were able to expand our advertiser base and increase the revenue of Solo Math from 2016 to 2018.

Procedures

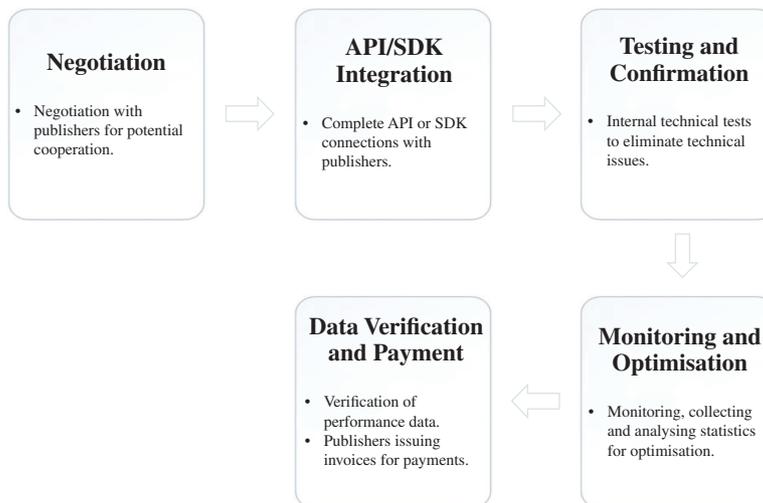
For our Solo Math advertising platform, negotiations and settlements with our advertisers (including app developers, brand advertisers and ad agencies) and publishers are usually conducted separately. We generally enter into a framework advertising agreement (in the case of advertisers) and a framework monetisation agreement (in the case of publishers) with each of our advertisers and publishers or agree to their terms and conditions, whereby the key terms including the credit period for payment and the term of the agreement. We assign account managers to communicate and negotiate with advertisers and publishers on the specifics of cooperation such as integration methods to our Solo Math modules, the advertisers' particular target requirements, and the performance metrics of publishers via emails and social network chat groups during all the stages of the advertising campaigns.

BUSINESS

The chart below sets forth the typical procedures of our advertising service and workflow with our advertisers:



The chart below sets forth the typical procedures of our workflow with our publishers:



Pricing Model

Each time a user who has seen the delivered ads on the host app or clicked the ads and completed certain actions such as installing the advertised app is deemed as valuable impression or user acquisition for the advertisers. The pricing models that we use for charging our advertisers and paying our publishers include (i) cost per action, or CPA, i.e. based on the number of actions as a result of the ads and such criteria are important performance based indicators; and (ii) cost per mille, or CPM, i.e. based per one thousand impressions of the ad. During the Track Record Period, we typically settle payments with both advertisers and publishers on our SAX module on CPM basis, under which advertisers are charged for every thousand impressions of the ad by users; and we typically settle payments with both advertisers and publishers on our SP module on CPA basis, under which advertisers are charged for each action that users perform on and interact with the advertisements. The settlement method we have with a particular advertiser may not be identical to the settlement method we have with the publishers whose host apps present the advertisers' ads. For advertisers with CPA pricing model, we will convert the pricing model from CPA to CPM based on our system's real-time evaluation of the publishers' capability to deliver on a CPA basis for traffic acquisition payment.

BUSINESS

The pricing for advertisers on our SAX module is typically CPM and the rate determined by the RTB mechanism is changing in real time. When a publisher requests our SAX module for selling of an ad space, the advertisers are invited to bid for the advertising space on a real-time basis and the advertisers who bid for the highest price may purchase the particular ad space. The pricing for advertisers on our performance-based SP module is typically on a CPA basis.

Settlement with Advertisers

We charge the advertisers (including app developers, brand advertisers and ad agencies) for our user acquisition service in the advertising campaigns. The invoice amount in the bill that we issue to our advertisers is based on the specified pricing model agreed and the actual performance data. Settlement with app developers through their ad agencies is typically completed within our standard settlement period and we believe that cooperation with not only app developers and brand advertisers but also ad agencies has helped us in building a broad and stable coverage of different advertisers and in remaining a healthy financial position. For the details of the credit period, please refer to the sub-section headed “Customers and Suppliers – Customers” in this section.

Our advertisers’ payments of advertising service fees to us are not conditional upon achieving any minimum number of ad deliveries. Some advertisers will set KPIs for advertising campaigns such as the app’s user retention rate to define how to count an ad delivery as an effective ad delivery for billing purposes, based on which we will calculate the fees that we charge such advertisers. As KPIs only affect how to count the number of effective ad deliveries for purposes of fee calculation, they are not minimum requirements for our advertisers’ payment. Our advertisers would usually commission independent third-party data tracking systems to measure advertising effectiveness, which is usually used to compare with the data we have provided. We verify the audience ad interaction data against our own data and settle any discrepancies in accordance with the terms in our contracts with advertisers.

Settlement with Publishers

We pay the publishers for their ad inventories supplied in our advertising services. Publishers usually issue invoice to us on a monthly basis and we make payments for such traffic acquisition cost accordingly. Payment of invoice is generally required to be settled in a month. We typically settle payments with our publishers on a CPM or CPA basis.

Media Buy Service

We are also engaged in the intermediary media buy service, whereby we optimise and purchase ad inventories on behalf of our advertisers through their accounts in the system of the top global internet companies' proprietary ad platforms. Advertisers usually need to purchase ad inventories across multiple top publishers and initiate cross-platform ad campaigns. We help the advertisers set campaign parameters and managed campaigns in top global internet companies' ad platforms on their behalf. We typically use CPA to charge our advertisers and use CPM as the pricing model for paying the publishers. We usually issue bills to our advertisers on a monthly basis.

We started to reduce our media buy service from 2017 in accordance with our technology and innovation oriented development strategy. According to the iResearch Report, media buy service, as an intermediary service model, has a relatively low entry barrier as the top publishers monetise their ad inventories either non-programmatically or by connecting their API to the ad campaign systems of the advertisers. Advertisers can open and manage the ad accounts and deliver the ads by themselves manually. The added value of media buy service to advertisers is becoming more limited in recent years as the internet companies in the PRC are getting savvy to monetisation in overseas mobile internet markets and tend to manage such ad campaigns on top publishers on their own. Consequently, the general profitability of media buy intermediary service is declining, according to the iResearch Report. For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, the revenue from our media buy service was RMB54.4 million, RMB9.1 million, RMB10.9 million and RMB0.1 million, respectively, accounting for 48.2%, 5.9%, 5.9% and 0.2% of our total revenues generated from mobile advertising platform and related business, respectively. For our media buy service, we recognise revenue on a net basis, please refer to “Financial Information – Critical Accounting Policies, Judgements and Estimates – Revenue Recognition” for more details.

We focus on our Solo Math programmatic advertising platform service to keep abreast of the development of the mobile advertising industry and to improve the profit margin of our mobile advertising platform and related business. We believe our advertising customers' reliance on and demand for our mobile advertising platform and related services would largely be the technology service offered through our Solo Math platform.

BUSINESS

The following table sets forth the key differences between our programmatic advertising platform and media buy services:

	<u>Programmatic advertising platform</u>	<u>Media buy</u>
<i>Our roles and services</i>	We provide mobile traffic acquisition services to advertisers through Solo Math, which attracts and processes requests from advertisers and match them with publishers to effect mobile advertising transactions programmatically	We purchase ad inventories on behalf of advertisers through their accounts in the system of the top global internet companies' ad platforms
<i>Launch date</i>	October 2014	August 2015
<i>Customers</i>	Advertisers	Advertisers
<i>Suppliers</i>	Publishers including app developers and ad agencies	Publishers, mainly the two top global internet companies and their agencies
<i>Typical pricing model</i>	CPM for SAX, SFP and SRTB; CPA for SP	CPA for charging advertisers and CPM for paying publishers
<i>Key operational data collection by us</i>	Yes	No
<i>Automated processing</i>	Yes	No

OUR SOLO AWARE AI ENGINE

We have developed our own AI engine named “Solo Aware”, which incorporates big data analytics and machine learning technologies. Solo Aware collects a large amount of data from both our Solo X product matrix and our Solo Math advertising platform. It analyses such data and generate insights into users and advertisers. This allows us to upgrade our apps to optimise user experience in our proprietary app traffic monetisation business on the one hand, and to achieve precision targeting of matching users for ad delivery in our provision of mobile advertising platform services on the other hand. The aggregation of data from both of our business lines allows us to achieve a deeper understanding of users through cross-referencing the two datasets, thereby generating a synergy effect of our two business lines. We update Solo Aware constantly to refine its algorithms and improve its capabilities.

BUSINESS

The technologies in our Solo Aware AI engine can be summarised into four layers:

- ***Fundamental Structure Layer*** – Solo Aware operates applications and databases that are scalable and employs computing power resourcing and high-speed storage technologies based on our global IT infrastructure supported by a leading global cloud computing services provider. It employs fundamental algorithms to support the operations of other layers.
- ***Data Collection Layer*** – Solo Aware collects a large amount of data from both our Solo X product matrix and our Solo Math advertising platform. Such data captures certain user actions on their mobile devices, including user actions in our proprietary apps and users’ interactions with ads delivered through Solo Math.
- ***Model Training Layer*** – Solo Aware uses machine learning algorithms to train programmatic models with data collected in order to generate insights into users and advertisers. It can analyse changing features of users and implement new model updates every few seconds to improve the reliability of the insights generated.
- ***Intelligent Distribution Layer*** – Solo Aware guides our ad distribution on the Solo Math advertising platform based on the insights generated. It predicts the effect of an ad distribution based on different models and guide Solo Math to distribute such ad based on the model with higher precision, thereby optimising the outcome of such ad distribution. Solo Aware acts “intelligently” during the automated ad distribution process, for instance, through adjusting ad distribution based on real-time click-through rate and conversion rate predictions and expanding target audience to cover look-alike audiences.

OUR IT INFRASTRUCTURE

Our set of IT components including networking hardware and facilities, cloud computing systems, data processing centres and software applications are the foundation of our technologies and services. We employ a scalable cloud infrastructure to support our business in a cost-effective manner and sustain performance in periods of high network traffic.

BUSINESS

Our fundamental architecture enables us to react quickly to new business needs by adding new service modules. We can also fine-tune each service module and integrate common functions into separate modules to keep our architecture concise, which enhances the efficiency and flexibility of our system and reduces our maintenance costs. As at 30 June 2019, we had content delivery networks including 169 edge locations and 11 regional edge caches in 69 cities worldwide to ensure efficiency in distributing content and information to users globally. The key features of our technology and IT infrastructure include:

- *Anti-fraud system.* Click Fraud occurs when a user repeatedly clicks on ads to drain ad campaign budget through automated scripts or computer programmes. To counter fraud, we developed an anti-fraud system built on big data technology to ensure ads are served by real publishers, shown to real people and are reaching the right target mobile device users. Our system detects ad fraud through an analysis of the mobile device user's behavioural and network type, including ad delivery channel, inventory source, historical user behavioural patterns and geographical distribution to filter out false impressions such as those generated by illegal bot activities or fraudulent web addresses.
- *Cloud computing and storage.* We use highly scalable and reliable cloud-based IT infrastructure to support and optimise our operations. We utilise cloud computing technology whereby we cooperate with a leading global cloud computing services provider to access servers, storage, databases and a broad set of applications for our services over the internet. Our cloud-based applications can use high level services that provide abstraction from the management, architecting and scaling requirements of core infrastructure. Our IT infrastructure is able to cover more than 200 countries and regions with an average response time of approximately 20 milliseconds. We also utilise third-party services to store and protect data for a range of cases including websites, mobile, backup and restore, archive and big data analytics. We can organise our data and configure finely-tuned access controls to meet specific business, organisational, and compliance requirements.
- *Firewall and security.* Our internal network is configured with multiple layers of security to isolate our databases from unauthorised access and we use sophisticated security protocols for internal and external communication and transmission of the encrypted user information. We utilise firewalls to protect our system from unauthorised access to our system. We have multiple layers of redundancy to improve the reliability of our network. Our measures for security include regular system checks, implementation of a password policy, server access logging, network access authentication, user authorisation review and approval, data back-up and data recovery tests. For instance, only several accounts of our designated employees have access to the data collected and must pass two layers of security authentication before accessing the metadata. Further, we employ a variety of technical solutions to detect vulnerabilities and hedge against risks in data security, such as encryption, anonymisation, firewall, vulnerability scanning and log audit. For instance, we have adopted the mainstream strategies against XSS attacks to protect user data and

BUSINESS

privacy. We also maintain an automatic monitoring system which is able to monitor key indicators in our business operations and IT system and triggers an alert when any indicator exceeds its safe threshold, allowing us to quickly respond to unexpected incidents.

DATA PROTECTION AND PRIVACY

We have adopted measures and policies to comply with relevant laws, regulations and rules on data protection and privacy in different jurisdictions, such as the GDPR in the European Union, the Cyber Security Law of the PRC and relevant federal and state laws in the United States.

Data we collect from users are generally limited to Ad ID (IDFA for iOS and GAID for Android respectively) and users' operations on the app (for example, whether a user clicked on a certain advertisement) for the purpose of displaying targeted ads. When there is in-app purchase we will collect device ID for the purpose of protecting users' virtual properties. Under most circumstances, users can use our apps without logging in. We basically do not collect data that can directly indicate a user's identity, such as phone number and personal ID. Only one app, if users choose to log in with his/her account, would collect their profile photo, name and email address with their consent. Further, users may, at their will, at any time, change or disable their Ad IDs so as to effectively de-identify themselves and cut off our collection of their data.

We primarily distribute our apps through App Store and Google Play. Both of the stores have implemented strict app review processes to scrutinise whether the apps have met their requirements, which include requirements and restrictions on privacy policy, data collection and storage, data use and sharing, obtaining consent from users and etc. The application stores would enforce these privacy-related terms by rejecting or removing non-compliant apps. As required, we have incorporated all of our apps with privacy policies, in which we inform the users of what data we may collect and the uses of the collected data, and also address when data may be transferred, how we maintain data security and how we proceed with children's privacy.

With respect to the advertisement business, our collection of data is limited to user's IP address (to identify users' region), browser's user-agent (to identify users' phone model and version of operating system) and Ad ID (IDFA for iOS and GAID for Android respectively). A privacy notice would show up to inform users of the purposes and methods of data processing, identity of data controller, retention period and data subjects' rights. We collect such data when and only when user's consent is obtained.

BUSINESS

We carry out technical and organisational measures to ensure data protection. Specifically, we purchase technical solutions from a leading global cloud computing services provider to: (i) back up our data reliably; (ii) control the access to data flexibly; (iii) generate and store comprehensive data processing log; (iv) conduct data auditing; (v) encrypt the stored data with high security standard; and (vi) build firewall to defend potential attacks. We have issued and are enforcing internal procedures and rules on data access control, data security and backup, personal data protection under the relevant jurisdictions, which are binding on all of our staff.

As our data are stored and processed on a third-party cloud platform, we have implemented the following internal control measures relating to the malfunction of third-party cloud platform: (i) our IT operating and maintenance team are responsible for monitoring the daily operation of cloud platform and reporting to our chief operating officer if there is any abnormality; (ii) after the evaluation of relevant risks found (if any), our IT operating and maintenance team will inform the cloud platform service provider and reach for alternative services to restore our cloud storage and computing abilities in a timely manner; (iii) our technical staff take charge of putting the substituting services into use and our IT operating and maintenance team will monitor the stability and effectiveness of subsequent operation; and (iv) after our chief operating officer evaluates any data or income loss, our operation team will communicate with the cloud platform service provider about remedies. During the Track Record Period, there was no material malfunction of the third-party cloud platform.

Further, we conduct confidentiality trainings at the orientations for each new employee and for all employees, and implement confidentiality regime to prevent improper use or disclosure of data by our employees. We also appointed a data protection officer to further ensure compliance with relevant data protection laws. Externally, we incorporate data protection addenda or provisions in contracts with third parties such as advertisers and publishers to ensure continuous protection after data transfer. We are also going to strengthen our data protection related policies and rules, improve the privacy policies and data protection agreements/provisions, conduct specific data protection trainings for our staff, issue data breach and incidence response plan.

In addition, we generally include user data and privacy clauses in our contracts to require our contractual counterparties to comply with our privacy policies and relevant laws and regulations on data protection and privacy. In addition, we implement data confidential protocols and procedures and enter into confidential agreements with our employees to prevent improper use or disclosure of data. Our PRC Legal Adviser is of the view that we have taken a multi-dimensional and multi-layered approach to comply with basic requirements set in currently applicable PRC laws and regulations relating to personal information protection.

RESEARCH AND DEVELOPMENT

We seek to be at the forefront of our industry by meeting and exceeding user needs through the development of innovative products and services. As at 30 June 2019, we had a research and development team of 79 members, of which 62 employees were dedicated to Solo X product matrix, 12 employees were for Solo Math advertising platform and five employees were for Solo Aware AI engine, together representing approximately 43.6% of our total number of employees. Our research and development team consists of product designers, website frontier engineers, user and data interface engineers, database management employees, Android and iOS engineers, quality assurance testers and data analysts. We evaluate our research and technology team not only based on product quality, project quality and technical abilities but also based on non-technical aspects such as customer satisfaction and sales performance.

We carry out research and development in accordance with our quarterly development plan and based on our assessment of market demand. In general, our process for launching new research and development activities can be divided into six phases, namely (i) demand analysis and approval; (ii) design and development; (iii) testing; (iv) launch; (v) operation and (vi) feedback collection and upgrade.

For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019, our research and development expenses amounted to RMB2.6 million, RMB11.5 million, RMB17.5 million and RMB9.5 million, respectively.

INTELLECTUAL PROPERTY

We devote significant time and resources to the development and protection of our intellectual property rights which are fundamental to our business. We protect our intellectual property rights through a combination of copyright, trademark and other intellectual property laws, as well as confidentiality and other agreements with our employees, suppliers, partners and others. In general, our employees must enter into a standard employment contract which includes a clause 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, however, third parties may obtain and use intellectual property that we own or licence without our consent. During the Track Record Period, we did not find any of such breaches of our intellectual property rights. However, unauthorised use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorised use may adversely affect our business and results of operations. See “Risk Factors—Risks Related to Our Business and Industry—We may not be able to prevent unauthorised use of our intellectual property, which could harm our business and competitive position” in this prospectus.

BUSINESS

As of the Latest Practicable Date, we registered 23 trademarks and had 13 trademarks application pending in the PRC. We registered 17 trademarks (as registered in 36 classes) and had three trademarks application pending outside of the PRC. We registered 58 software copyrights and nine other forms of copyrights in the PRC, and we registered six software copyrights and two other forms of copyrights in the United States. We also had eight domain names in PRC as set forth below:

Domain Name	Registrant	Registration Date
chizicheng.com	NewBornTown Network Technology	2 December 2010
chizicheng.net	NewBornTown Mobile Technology	19 September 2018
newborntown.com	NewBornTown Network Technology	12 August 2014
newborn-town.com	NewBornTown Network Technology	29 October 2011
diylocker.com	NewBornTown Network Technology	14 April 2015
ping-start.com	NewBornTown Network Technology	31 August 2015
solo-launcher.com	NewBornTown Network Technology	12 August 2014
51themes.com	NewBornTown Network Technology	13 February 2014

As of the Latest Practicable Date, we had four patents in the PRC as set forth below:

Patent Name	Registry No.	Registration Date	Expiry Date
Mobile phone with graphical UI (帶圖形用戶界面的手機)	ZL 2015 3 0228694.X	9 December 2015	30 June 2025
Mobile phone with operating system (帶操作系統界面的手機)	ZL 2015 3 0225824.4	2 December 2015	29 June 2025
Mobile phone with graphical UI (cleanup) (帶圖形用戶界面的手機(清理))	ZL 2015 3 0334678.9	30 December 2015	31 August 2025
Mobile phone with graphical UI (shortcut switch) (帶圖形用戶界面的手機(快捷開關))	ZL 2015 3 0436105.7	30 March 2016	3 November 2025

As of the Latest Practicable Date, we did not licence any of our intellectual property rights to any third parties. We were not involved in any material disputes or legal proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights as of the Latest Practicable Date. For further details of our intellectual property rights, see “Statutory and General Information – C. Intellectual Property Rights of Our Group” in Appendix IV to this prospectus.

OUR STRATEGIC INVESTMENT

We invested in Beijing Duanji for a consideration of RMB17.9 million in May 2016. Subsequent to the 2016 Mico Investment, we held an equity interest of approximately 17.9% in Beijing Duanji and other shareholders of Beijing Duanji included established investors in the PRC mobile internet industry, such as Plum Venture and the founders of other PRC mobile internet companies. Beijing Duanji was merged with Mico in May 2017, after which we held an equity interest of approximately 8.95% in Mico. We further invested RMB100.0 million in Mico in March 2019 along with the investment of RMB30 million from Beichen Xinshineng, a PRC investment fund controlled by Mr. Wu Shichun. As of the Latest Practicable Date, we held an equity interest of approximately 16.77% in Mico and the remaining equity interest in Mico was held as to approximately (i) 23.27% by Mr. Ye Chunjian and in aggregate 15.97% by the investment funds controlled by him through his capacity as executive partner, (ii) 16.14% by our other shareholders or their affiliates including Phoenix Fortune and Mr. Wu Shichun and the investment funds controlled by Mr. Wu Shichun through his capacity as executive partner, and (iii) 27.84% by Independent Third Parties which include active investors in the mobile internet and/or technology industry, such as Jiaxing Zizhi. For details of the shareholding structure of Mico, see “History and Corporate Structure – Reorganisation”. Mico’s director and controlling shareholder Mr. Ye Chunjian was one of our co-founders and held 6.83% of our issued share capital through Pixel Perfect Tech Limited as of the Latest Practicable Date but has ceased to participate in the management of our business operation since January 2017 (notwithstanding he remained as a director of NewBornTown Network Technology until May 2019) after he focussed on the business of Beijing Duanji. Given the above mentioned relationship, Mico will not be our core connected person as defined under the Listing Rules after listing.

Mico is a business independent from us and it has its independent management team. Mico is a social networking platform with users from more than 150 countries and regions, the business of which is different from us. Its core apps are Mico and Kitty Live, which feature strangers social networking, group video chat, live streaming and short videos. According to the iResearch Report, Mico achieved daily ranking No. 1 by downloads at least once in the “social networking apps” category for iPhone in App Store in 71 countries and regions such as India, Croatia and Luxembourg by 31 December 2018.

BUSINESS

Mobile marketing via social networking apps can be achieved through diversified approaches including (i) impression marketing such as splash screen and banner ads; (ii) native marketing such as brand advertising presented by broadcasters in videos and during live streaming; (iii) campaign marketing such as tailor-made live streaming featuring a particular brand or a promotional activity. Different from most mobile internet companies which derive revenue from mobile advertising, social networking apps also recognise revenue from in-app content purchase and the sales of virtual gifts. As such, according to the iResearch Report, the monetisation capabilities and efficiency of social networking apps are stimulated by the users' willingness to purchase value-added functions and content during social interactions in the apps. Our Directors believe that after the merger with Beijing Duanji, benefiting from Beijing Duanji's monetisation channels, Mico became able to monetise its user base in various ways through the integration of Mico and Kitty Live. Mico ranked sixth in terms of revenue achieved in the first quarter of 2019 amongst all the PRC video and live streaming apps offered in App Store and Google Play.

We started our business cooperation with Mico in 2015 before the merger of Beijing Duanji and Mico, and since then, we provided user acquisition services through the media buy approach for Mico HK and purchased ad inventories from Mico or its subsidiaries. We generated a revenue of RMB8.7 million, RMB0.3 million, RMB31,746 and nil on a net basis from Mico HK, in years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019¹, respectively, and our purchase from Mico and its subsidiaries amounted to RMB3.9 million, RMB2,000, nil and nil in the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively. In addition to our equity investment, we granted an interest free loan of RMB5.0 million to Beijing Duanji in January 2017, which was fully repaid in February 2017. After the merger of Beijing Duanji and Mico, we granted several interest-free loans of RMB12.5 million and RMB27.2 million to Mico in 2017 and 2018, respectively, and we also allowed a long payment period for the accounts receivable for Mico HK, with our accounts receivable due from Mico HK amounting to RMB33.8 million and RMB36.2 million as at 31 December 2017 and 2018, respectively. Our Directors believed that the combination of our equity and debt investment in Mico helped to control our risk exposure, while strengthened our relationship with Mico and supported its business growth. Through years of cooperation, we obtained a deeper understanding of Mico's strengths in product development and operation, as well as its fast-growing business development. In light of the fast business development of Mico's business operation, we completed the 2019 Mico Investment in March 2019, and around the same time, our loans to Mico was fully repaid and our accounts receivable due from Mico HK was fully settled.

1. The gross billing amounted to RMB35.3 million, RMB2.9 million, RMB0.7 million and nil in the years ended 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively.

BUSINESS

The Mico Investment was a unanimous decision by our shareholders and directors. As disclosed in our Accountant's Report set out in Appendix I, we designated the Mico investment as financial asset measured at FVPL and the fair value of our equity investment in Beijing Duanji/Mico (after their merger) increased from our cost of investment of RMB17.9 million to RMB23.1 million as at 31 December 2016 and to RMB63.7 million as at 31 December 2018. After an additional investment of RMB100 million in Mico in March 2019, the fair value of our investment in Mico based on market approach as at 31 March 2019 was RMB192.5 million (according to Asia-Pacific Consulting and Appraisal Limited), and decreased to RMB184.8 million as at 30 June 2019. We believe Mico will continue its business development and Mico will be a successful investment of us in addition to its strategic value to us.

Mobile internet and technology companies usually pursue strategic investment and acquisition opportunities that will help strengthen their operations or complement their business lines to grow and expand, according to the iResearch Report. We believe our strategic investment in Mico has allowed us to forge a close partnership with Mico to create synergies across our own businesses in the following aspects:

- Mico can provide us with strategic value as a publisher in social networking not only by offering stable ad inventories for both our Solo X product matrix and our advertisers on Solo Math mobile advertising platform, but also by offering us connections to its broad base of social networking users;
- being connected to our mobile advertising platform through SDK connection, Mico's large user insight library can help us enhance our data resources, train our machine learning models and strength our AI capabilities, as users typically spend longer time on social networking apps and are offered in-app content and virtual gifts for making purchases; and
- Mico's popularity in regions such as the Middle East, Southeast Asia and Africa is realised by its local network and teams, which is in line with our development strategies to expand our localised service and distribution network, thereby laying the groundwork for us to build and expand our networks and presence in such regions.

According to a news article issued by the Ministry of Culture and Tourism of the PRC (中華人民共和國文化和旅遊部) (the "MCT") on 17 April 2018, Mico was included into a blacklist (文化市場黑名單) (the "List"), due to its alleged use of a falsified Internet Culture Business Licence (網絡文化經營許可) in the course of its uploading of a mobile app online (the "Incident"). As confirmed by Mr. Ye Chunjian and the former employee of Mico (the "Mico Employee") involved in the Incident: (i) the Incident involved the Mico Employee conducting a test run of a mobile app of Mico in the PRC; (ii) in the course of uploading the app online, the Mico Employee, through her personal means, obtained and uploaded the Internet Culture Business Licence of another company; (iii) Mico withdrew the relevant app in question shortly after it became aware of the Incident; and (iv) after the Incident, the Mico Employee left Mico. According to the PRC Cultural Market Blacklist Administrative Measures (《全國文化市場黑

BUSINESS

名單管理辦法》) issued by the MCT on 19 June 2018, our PRC Legal Adviser advised that the measures mainly implement more supervision on the blacklisted companies, and impose some restrictions on their PRC operating activities, while such measures do not specify explicit penalty measures against the blacklisted companies such as fines or cancellation of business licences. Since Mico mainly conducted overseas business and did not focus on the PRC market, as advised by our PRC Legal Adviser, the inclusion of Mico into the List would not impose any material adverse effect on its business operations. Given that (i) the PRC Cultural Market Blacklist Administrative Measures did not mention that it will impose any further fine to the blacklisted companies; and (ii) our PRC Legal Adviser considered that the placement of Mico on the List has in itself constituted a penalty, our PRC Legal Adviser is of the view that the risk of a further fine being imposed is low. In addition, before the Incident, Mico's PRC subsidiary had already obtained an Internet Culture Business Licence to facilitate its potential business development in the PRC market. Pursuant to a confirmation (the "**Confirmation**") issued by the Law Enforcement Team of the Beijing City Cultural Market (北京市文化市場行政執法總隊) (the "**Law Enforcement Team**") on 15 May 2019, during the period from 1 January 2016 to 30 April 2019, there was no record of any penalty in respect of Mico for any non-compliance with any relevant cultural laws and regulations. According to the interview with an officer of the Law Enforcement Team on 20 June 2019 (the "**Interview**"), it was confirmed that, as the Confirmation had already been issued to Mico, all matters of Mico's compliance should be determined with reference to such Confirmation. Based on the foregoing, our Directors are of the view that the Incident is of very limited impact on our strategic investment in Mico. Based on the due diligence performed by, and information and representations given to, the Sole Sponsor, nothing has come to the attention of the Sole Sponsor that led it to cast doubts on our Directors' view above.

Our strategic partnership with Mico enables us to collaborate with Mico in various fronts including employing big data analytics to achieve larger database, better machine learning algorithms and more precise mobile advertising distribution, expanding our network to access more advertisers and publishers, and integrating resources for development of mobile apps and other services. Additionally, Mico's combination of short-video and live-streaming functions can further increase its user base and user engagement, thus continuing to improve its monetisation efficiency. We believe Mico's ability to expand its business through diverse monetisation channels and potential in becoming a leading player in social networking market would continue to benefit us in the long term in light of the above synergies and the possible appreciation in the fair value of our investment.

SEASONALITY

Mobile advertising platform businesses commonly experience seasonal fluctuations in revenues. Generally, the fourth quarter of each calendar year contributes the largest portion of our revenues as many advertisers tend to allocate a significant portion of their marketing budgets in order to coincide with consumers' increased purchases around shopping events and holidays in that quarter. We expect our revenues to continue to fluctuate based on seasonal factors that affect the mobile internet industry as a whole.

COMPETITION**Global and China's Overseas Mobile App Markets**

According to the iResearch Report, in 2018, the total number of global app downloads reached 194 billion. The application of 5G mobile network starting from 2019 will further stimulate mobile users' demand for mobile apps. The scale of the global mobile apps market, including the advertising revenue and in-app purchase revenue, increased from US\$97.7 billion in 2014 to US\$365.2 billion in 2018, representing a CAGR of 39.0%. It is estimated to continue growing at a CAGR of 20.7% from 2018 to 2023, and reach US\$935.2 billion in 2023. With the improvement of mobile device performance, there was a significant increase of the number of apps developed by PRC internet companies who engaged in and focussed on overseas markets around 2015. According to the iResearch Report, the scale of China's overseas mobile app market increased from US\$3.5 billion in 2014 to US\$14.1 billion in 2018, representing a CAGR of 41.6%. It is estimated to continue growing at a CAGR of 22.2% from 2018 to 2023, and reach US\$38.5 billion in 2023.

The market share of our proprietary apps in terms of revenue contribution in the global and China's overseas mobile app markets in 2018 was approximately 0.004% and 0.096%, respectively. The top five players in the global overseas app market, such as a leading global social networking platform and a top global e-commerce platform accounted for approximately 61.7% of the total market in terms of revenue in 2018.

Global and China's Overseas Mobile Advertising Markets

According to the iResearch Report, global mobile advertising spending reached US\$187.9 billion in 2018, accounting for 26.1% of total advertising spending. It is estimated that the market size of mobile advertising will be approximately US\$396.1 billion by 2023, accounting for 39.7% of the total advertising market. As the mobile advertising industry develops, user acquisition and monetisation demands from app developers are becoming even stronger. Additionally, the development of programmatic advertising started around 2012 and is becoming increasingly prevalent. According to the iResearch Report, the scale of global mobile programmatic advertising market reached US\$60.7 billion in 2018 and is estimated to reach US\$149.2 billion in 2023.

BUSINESS

According to the iResearch Report, the increase in the number of PRC apps in overseas markets results in the demand for acquisition of global users, thereby creating a fast-growing market for the provision of mobile advertising services by PRC mobile advertising companies. According to the iResearch Report, the total advertising expenditure in China's mobile advertising overseas market increased at a CAGR of 52.8% from US\$2.0 billion in 2014 to US\$10.9 billion in 2018, and is estimated to reach US\$35.8 billion in 2023, growing at a CAGR of 26.9% from 2018 to 2023. The scale of China's overseas programmatic mobile advertising market reached approximately US\$0.32 billion in 2018.

According to the iResearch Report, the market share of our programmatic advertising platform in terms of revenue contribution in the global mobile advertising market in 2018 was approximately 0.04%. The top one (a top internet and technology company) and top two (a leading social networking platform) player in the global programmatic mobile advertising market accounted for approximately 28.2% and 5.9% of the total market in terms of revenue in 2018, respectively. The market share of our programmatic advertising platform in terms of revenue contribution in China's overseas mobile advertising market in 2018 was approximately 7.99%, ranking us the fourth among PRC mobile advertising companies focussing on providing mobile marketing services in overseas markets. The top three PRC mobile advertising companies accounted for approximately 46.98%, 19.05% and 11.90%, respectively, of China's overseas mobile advertising market in terms of revenue in 2018.

We expect the competition for users, usage time and advertisers in our industry to intensify. We face competition in two major aspects of our business:

- **Solo X product matrix.** We face competition from third-party app developers in the field of launcher apps, gadgets apps, game apps and other type of apps we developed.
- **Solo Math mobile advertising platform.** Our direct competitors include advertising agents providing mobile advertising platform and related services for app developers. We also compete with major digital media publishers that offer their ad inventories to advertisers directly on their own platforms.

Further, we compete with all major mobile internet companies and potential new types of online service providers for user attention and advertising spending.

BUSINESS

We believe we are differentiated from our competitors in factors such as diversification in products, extensive global footprints, robust big data, one-stop services and outstanding AI capabilities. We will also continue to innovate and improve our products and services to maintain our competitive advantages. See “Business – Competitive Strengths” and “Business – Business Strategies”. However, some of our current or potential competitors may be able to develop products and services better accepted by clients or respond more quickly and effectively than we can to new or changing opportunities, technologies or regulations. See “Risk Factors – Risks Relating to Our Business and Industry – We face competition in the rapidly evolving industry and we may not be able to keep continuous research and development and innovation, and may not be able to compete successfully against our existing and future competitors”. For more information of the competitive landscape of our industries, see “Industry Overview”.

SALES AND MARKETING

As of 30 June 2019, we had 16 sales, business development and marketing employees. We emphasise the deepening of our relationship with existing customers, developing relationship with new and potential customers and the exploration of untapped market opportunities. We select our business partners for our Solo X product matrix and Solo Math mobile advertising platform based on a combination of factors such as their product type, ranking and the geographic distribution of their users.

We use a variety of methods to expand overseas channels and increase awareness for our brand. We seek to acquire customers and suppliers by presenting at industry conferences, hosting client conferences, publishing research articles and attending public relations activities. We also promote our brand, products and services through social media and online marketing. We have released a series of promotional online short films on video sharing sites, which received a large number of views and positive comments.

For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019, our selling and marketing expenses amounted to RMB9.9 million, RMB33.7 million, RMB69.0 million and RMB52.7 million, respectively. We believe that our diversified marketing channels and strong social media presence could allow our business partners and our users to become our brand advocates, which creates a strong viral marketing effect.

CUSTOMERS AND SUPPLIERS**Customers**

Our customers are mainly advertisers that need advertising solutions to help them conduct mobile advertising campaigns. They include (i) app developers looking to advertise their apps; (ii) brand advertisers looking to advertise their brands or products; and (iii) ad agencies representing such app developers or brand advertisers. Revenue from the top five customers accounted for 36.3%, 36.5%, 46.1% and 59.3% of our total revenue for the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019, respectively. Revenue from the largest customer accounted for 9.6%, 11.6%, 24.1% and 23.3% of our total revenue for the same periods, respectively. Our customers include both advertisers purchasing the ad spaces within our self-developed apps and advertisers purchasing the ad spaces within third-party publishers' apps through Solo Math, and both types of customer are represented among our top five customers during the Track Record Period.

We generally sign a framework advertising agreement with our customers and use CPM or CPA as the pricing model for settlement. We issue invoices to customers after verifying performance data with them and they then pay us advertising fees. The settlement period agreed in the framework agreement is typically 30 to 45 days. However, some of our customers, especially those of media buy business, significantly delayed their payment beyond the settlement periods offered during the Track Record Period. According to the iResearch Report, media buy service, being of an intermediary service model, has a relatively low entry barrier and the added value of media buy service to advertisers is becoming more limited in recent years, which fostered the fierce competition in the industry. At an early stage of our business operations in 2016, we were primarily revenue-driven and focussed more on attracting new customers and generating revenues in the intensive competition. For maintaining relationship with our customers, we may from time to time allow longer collection periods for certain customers after our assessment on their creditworthiness. Consequently, we recorded accounts receivable turnover days of 109 days, 203 days, 158 days and 179 days for the year ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019, respectively. In particular, accounts receivable turnover days of media buy business was 116 days, 464 days and 306 days for the year ended 31 December 2016, 2017 and 2018, respectively. No information of account receivable turnover days for media buy business for the six months ended 30 June 2019 is available due to anomalous results. The framework agreement may generally be terminated by one party's prior notice to the other party. During the Track Record Period, our five largest customers changed over the years, which was not uncommon in the industry according to the iResearch Report. Except Company V with whom we had a relationship of less than one year, we maintained a relationship ranging from one to five years with our five largest customers during the Track Record Period.

BUSINESS

The table below sets forth the details of the top five customers during the Track Record Period, including the largest global search engine company, the biggest global social media platform, the largest mobile advertising provider in India and other established companies well-known to the general public:

For the year ended 31 December 2016

Customers	Background	Type of service	Revenues from the customer (RMB in thousands)	% of total revenues	Services purchase from the customer (RMB in thousands)	% of total purchase
Company A*	The biggest global social media platform providing social networking service, and ranked second in the global programmatic mobile advertising market in 2018 in terms of revenue derived from delivering ads to mobile devices through proprietary programmatic mobile advertising platform ⁽¹⁾	Mobile apps monetisation	13,154	9.6	–	–
Company B*	A German-based mobile ad tech company dedicated to empowering its partners with sophisticated solutions, connecting agencies and brands with target audiences and enabling publishers to monetise their apps ⁽¹⁾	Mobile advertising service	10,279	7.5	–	–
YouAppi Inc.	A globally well-ranked American mobile advertising platform providing a comprehensive management solution for high value mobile brands and effectively simplifying the purchase of mobile media through a single node ⁽¹⁾	Mobile advertising service	10,207	7.5	–	–
Mico HK*	A mobile social network company facing the global market, an app of which ranked sixth in the first quarter of 2019 in terms of revenue in App Store and Google Play (in regions excluding Mainland China) amongst all video/live streaming apps of PRC companies focussing on the overseas market ⁽¹⁾	Mobile advertising service	8,711	6.4	3,938	7.6
Company D	A US-based company founded in 2009 designing and developing digital apps, and providing customised desktop and mobile search and web access solutions	Mobile apps monetisation	7,279	5.3	–	–

BUSINESS

For the year ended 31 December 2017

Customers	Background	Type of service	Revenues from the customer (RMB in thousands)	% of total revenues	Services purchase from the customer (RMB in thousands)	% of total purchase
InMobi Pte. Ltd.	The largest mobile advertising provider in India mainly providing global mobile advertising and corporate marketing services driven by AI and ranked 264th in the “2019 Hurun Global Unicorn List” ⁽¹⁾	Mobile advertising service	21,055	11.6	1,435	1.2
Company G*	The largest global search engine company providing internet-related services and products, and ranked first in the global programmatic mobile advertising market in 2018 in terms of revenue derived from delivering ads to mobile devices through proprietary programmatic mobile advertising platform ⁽¹⁾	Mobile apps monetisation	15,789	8.7	10,061	8.4
Company F	A company incorporated in the Seychelles in the year of 2015 purchasing ad traffic from the Group as an advertiser	Mobile advertising service	11,280	6.2	–	–
Company H ⁽²⁾	A China-based mobile live broadcasting platform, an app of which ranked tenth in the first quarter of 2019 in terms of revenue in App Store and Google Play (in regions excluding Mainland China) amongst all video/live streaming apps of PRC companies focussing on the overseas market ⁽¹⁾	Technical service	9,434	5.2	–	–
Company A*	The biggest global social media platform providing social networking service, and ranked second in the global programmatic mobile advertising market in 2018 in terms of revenue derived from delivering ads to mobile devices through proprietary programmatic mobile advertising platform ⁽¹⁾	Mobile apps monetisation	8,799	4.8	630	0.5

BUSINESS

For the year ended 31 December 2018

Customers	Background	Type of service	Revenues from the customer (RMB in thousands)	% of total revenues	Services purchase from the customer (RMB in thousands)	% of total purchase
Company G*	The largest global search engine company providing internet-related services and products, and ranked first in the global programmatic mobile advertising market in 2018 in terms of revenue derived from delivering ads to mobile devices through proprietary programmatic mobile advertising platform ⁽¹⁾	Mobile apps monetisation	66,665	24.1	27,762	15.6
InMobi Pte. Ltd.	The largest mobile advertising provider in India mainly providing global mobile advertising and corporate marketing services driven by AI and ranked 264th in the “2019 Hurun Global Unicorn List” ⁽¹⁾	Mobile advertising service	17,519	6.3	309	0.2
Company I	A Japan-based mobile advertising platform provider enabling advertisers to effectively promote their app and services and publishers to monetise their apps worldwide ⁽¹⁾	Mobile advertising service	14,957	5.4	–	–
Company J	A technology company, previously ranked 145 in the “List of 2018 World Internet of Things Top 500” published by the World Internet of Things Conference and as one of the Top 50 Companies Leading the AI Revolution by Fortune magazine ⁽¹⁾	Mobile advertising service	14,522	5.2	–	–
Company K ^{(2)*}	A China-based mobile live broadcasting platform, an app of which ranked tenth in the first quarter of 2019 in terms of revenue in App Store and Google Play (in regions excluding Mainland China) amongst all video/live streaming apps of PRC companies focussing on the overseas market ⁽¹⁾	Technical service	14,151	5.1	–	–

BUSINESS

For the six months ended 30 June 2019

Customers	Background	Type of service	Revenues from the customer (RMB in thousands)	% of total revenues	Services purchase from the customer (RMB in thousands)	% of total purchase
Company U*	A sole certified publishing partner of Company G in Greater China being rewarded “Best Mobile Awards”, one of three awards selected from more than 50 Company G’s certified partners around the world ⁽¹⁾	Mobile apps monetisation	42,935	23.3	–	–
Company V	A subsidiary of a China-based group which ranked among top 10 players in the global mobile app market in terms of revenue derived from mobile information distribution-related business (including revenue from both in-app purchase and mobile advertising) ⁽¹⁾	Mobile apps monetisation	32,479	17.6	–	–
Company G*	The largest global search engine company providing internet-related services and products, and ranked first in the global programmatic mobile advertising market in 2018 in terms of revenue derived from delivering ads to mobile devices through proprietary programmatic mobile advertising platform ⁽¹⁾	Mobile apps monetisation	18,767	10.2	–	–
Company J	A technology company, previously ranked 145th in the “List of 2018 World Internet of Things Top 500” published by the World Internet of Things Conference and ranked as one of the Top 50 Companies Leading the AI Revolution by Fortune magazine ⁽¹⁾	Mobile advertising service	8,700	4.7	–	–
Company A*	The biggest global social media platform providing social networking service, and ranked second in the global programmatic mobile advertising market in 2018 in terms of revenue derived from delivering ads to mobile devices through proprietary programmatic mobile advertising platform ⁽¹⁾	Mobile apps monetisation	6,378	3.5	–	–

Note:

(1) Source: the iResearch Report.

(2) Company H and Company K are in the same group.

* overlapping customers and suppliers, i.e. those who were both our customers and suppliers during the Track Record Period.

Cooperation with Company J and Company V

Company J is a private technology company ranked 145th in the “List of 2018 World Internet of Things Top 500” published by the World Internet of Things Conference and ranked as one of the Top 50 Companies Leading the AI Revolution by Fortune magazine according to the iResearch Report, and we approached Company J in January 2018 due to its industry reputation and started our cooperation. We provided Company J with mobile advertising services and derived the revenue of RMB14.5 million from Company J for the year ended 31 December 2018. Due to Company J’s satisfaction with the performance of their ad campaigns on our Solo Math platform and their decision to increase budget on advertising placements with us, we derived revenue from Company J of RMB8.7 million for the six months ended 30 June 2019. Company V is a subsidiary of a China-based group ranked among the top 10 players in 2018 in the global mobile app market in terms of revenue derived from mobile information distribution-related business. Understood that Company V offered favourable terms through its newly launched mobile advertising ad network, our Directors approached Company V in March 2019. Under the cooperation, we spent more efforts in launching and operating apps in the PRC market to monetise the ad inventories of our mobile app products and derived the revenue from Company V of RMB32.5 million for the six months ended 30 June 2019. Our Directors confirm that none of our Company, our subsidiaries, Directors, shareholders, senior management or their respective associates had any past or present business, financial or other relationship with Company V, Company J or their respective directors or ultimate beneficial owners during the Track Record Period.

Suppliers

Our suppliers are mainly mobile ad publishers that provide ad inventories to be sold through our Solo Math platform. They include both app developers and ad agencies representing app developers. Our suppliers also include IT service providers that provide internet infrastructure service and technical services.

Our top five suppliers accounted for 57.3%, 42.3%, 50.7% and 44.3% of our total purchases for the years ended 31 December 2016, 2017 and 2018 and for the six months ended 30 June 2019, while the largest supplier accounted for 20.7%, 10.6%, 15.6% and 11.5% of our total purchases, respectively, for the same periods. We generally sign a framework agreement with media publishers. Traffic acquisition is made based on the needs in specific ad campaigns that we conduct for our advertisers or the needs in marketing our proprietary mobile apps. Payment is made after we verify that relevant ad delivery performance requirements have been met. The framework agreement generally may be terminated by one party by giving prior notice to the other party. For the publishers with which we cooperate for monetising ad traffic of our proprietary mobile apps, instead of entering into framework agreements and placing orders for each ad campaign, we agree to the terms of service provided by the ad networks by connecting to their platforms as publishers. During the Track Record Period, our top five suppliers changed over the years, which was not uncommon in the industry according to the

BUSINESS

iResearch Report. Other than Company W, with whom we had a relationship of less than one year, we had maintained relationships ranging from one to five years with all of our top five suppliers during the Track Record Period.

The table below sets forth the details of the top five suppliers during the Track Record Period:

For the year ended 31 December 2016						
Suppliers	Background	Type of service	Services purchased from the supplier (RMB in thousands)	% of total purchase	Revenues from the supplier (RMB in thousands)	% of total revenues
Company L	A company incorporated in the BVI supplying ad traffic to the Group as a publisher	Mobile advertising service	10,874	20.7	–	–
Company M*	A China-based technology company providing mobile advertising and mobile analytics services	Mobile advertising service	6,840	13.0	922	0.7
Company N*	A company incorporated in Hong Kong developing short video community app	Mobile advertising service	5,450	10.4	–	–
Mico HK*	A mobile social network facing global market, an app of which ranked sixth in the first quarter of 2019 in terms of revenue in App Store and Google Play (in regions excluding Mainland China) amongst all video/live streaming apps of PRC companies focussing on the overseas market	Mobile advertising service	3,938	7.5	8,711	6.4
Company O*	A company incorporated in Hong Kong operating a third party developers' assistant platform in Greater China	Mobile advertising service	3,014	5.7	–	–

BUSINESS

For the year ended 31 December 2017

Suppliers	Background	Type of service	Services purchase from the supplier (RMB in thousands)	% of total purchase	Revenues from the supplier (RMB in thousands)	% of total revenues
Company P ^{(2)*}	A company incorporated in Hong Kong providing mobile advertising service and monetisation solutions	Mobile advertising service	12,789	10.6	3,830	2.1
Company Q	A company incorporated in the Seychelles providing mobile advertisement services	Mobile advertising service	11,224	9.3	–	–
Company G*	The largest global search engine company providing internet-related services and products, and ranked first in the global programmatic mobile advertising market in 2018 in terms of revenue derived from delivering ads to mobile devices through proprietary programmatic mobile advertising platform ⁽¹⁾	Mobile apps marketing	10,061	8.4	15,789	8.7
Company K*	A China-based mobile live broadcasting platform	Mobile apps marketing	9,057	7.5	–	–
Company L	A company incorporated in the BVI supplying ad traffic to the Group as a publisher	Mobile advertising service	7,858	6.5	–	–

For the year ended 31 December 2018

Suppliers	Background	Type of service	Services purchase from the supplier (RMB in thousands)	% of total purchase	Revenues from the supplier (RMB in thousands)	% of total revenues
Company G*	The largest global search engine company providing internet-related services and products, and ranked first in the global programmatic mobile advertising market in 2018 in terms of revenue derived from delivering ads to mobile devices through proprietary programmatic mobile advertising platform ⁽¹⁾	Mobile apps marketing	27,762	15.6	66,665	24.1
Company P ^{(2)*}	A China-based company providing mobile advertising service and monetisation solutions	Mobile advertising service	22,610	12.7	1,113	0.4
Company R*	A China-based ad media company providing mobile advertising and marketing services	Mobile apps marketing	17,401	9.8	29	0.0

BUSINESS

For the year ended 31 December 2018

Suppliers	Background	Type of service	Services purchase from the supplier (RMB in thousands)	% of total purchase	Revenues from the supplier (RMB in thousands)	% of total revenues
Company S	A US-based company providing the world's most comprehensive and broadly adopted cloud platform	Cloud service	11,434	6.4	–	–
Company T*	A China-based company providing advertising and marketing services	Mobile advertising service	10,928	6.2	112	0.0

For the six months ended 30 June 2019

Suppliers	Background	Type of service	Services purchase from the supplier (RMB in thousands)	% of total purchase	Revenues from the supplier (RMB in thousands)	% of total revenues
Company W	A China-based company providing integrated marketing solutions and mobile advertising resources covering search, information flow, application market and APP	Mobile apps marketing	11,587	11.5	–	–
Company R*	A China-based ad media company providing mobile advertising and marketing services	Mobile apps marketing	9,956	9.9	–	–
Company S	A US-based company providing the world's most comprehensive and broadly adopted cloud platform	Cloud service	8,937	8.9	–	–
Company X*	A Hong Kong-based iOS search ads platform	Mobile apps marketing	7,728	7.7	–	–
Company Y ^{(1)*}	A China-based company providing mobile advertising service and monetisation solutions	Mobile advertising service	6,321	6.3	2,567	1.4

Notes:

(1) Source: the iResearch Report.

(2) Company P and Company Y are in the same group.

* overlapping customers and suppliers, i.e. those who were both our customers and suppliers during the Track Record Period.

As of the Latest Practicable Date, save for our interest in Mico, none of our Directors, their associates or any shareholders which, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our five largest customers and suppliers. See “Our Strategic Investment” in this section for further details of our investment in Mico.

BUSINESS

Overlapping of Customers and Suppliers

It is common in the industry that media publishers may become advertisers when they have advertising needs to market their apps or service, according to the iResearch Report. For our mobile advertising platform and related business, some of our customers who use our mobile user acquisition or related services are also our suppliers who supply ad traffics, or vice-versa. With regard to our proprietary app traffic monetisation business, our suppliers from whom we purchased traffic to market our Solo X product matrix, for example, Company A and Company G, also acquire traffic from our Solo X product matrix for their mobile advertising platform. The numbers of overlapping customers and suppliers were 66, 92, 124 and 105 in 2016, 2017, 2018 and six months ended 30 June 2019, respectively, including some of our top five customers and suppliers. For details, please see sub-section headed “Customers and Suppliers – Customers” and “Customers and Suppliers – Suppliers” in this section. Negotiations of the terms of our sales to and purchases from these companies were conducted on an individual basis and the sales and purchases were neither inter-connected or inter-conditional with each other. The revenues from overlapping customers and suppliers as a percentage of our total revenues were 51.2%, 64.3%, 64.2% and 55.3% for the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019, respectively. The services purchased from these companies as a percentage of our total purchase were 58.1%, 65.3%, 68.7% and 57.4% in 2016, 2017 and 2018 and six months ended 30 June 2019. Our Directors confirm that all of our sales to and purchases from these companies were conducted in the ordinary course of business under normal commercial terms and on arm’s length basis.

CERTAIN SETTLEMENT ARRANGEMENTS

In 2018, our proprietary app traffic monetisation business grew significantly along with the enhancement of the variety and functionality of our Solo X product matrix. To reduce operational risk and access quality monetisation service, we used certain settlement arrangements (the “**Settlement Arrangements**”) between August 2018 and May 2019. Through such Settlement Arrangements, we designated certain third parties (the “**Relevant Parties**”) to receive monetisation payments (the “**Relevant Payments**”) from Company A and Company G in relation to the monetisation of most of our new apps. The Relevant Parties would receive the Relevant Payments in their bank accounts in Hong Kong and then forward the Relevant Payments to our bank accounts in Hong Kong.

The Relevant Parties were selected by us based on our assessment of their reliability and included (i) three Directors, namely Liu Chunhe, Li Ping and Wang Kui; (ii) West Street Technology International Limited (“**West Street Technology**”), which is controlled by a supervisor of Shandong NewBornTown and has engaged in e-commerce business; and (iii) Mobile Alpha, a wholly owned subsidiary of Mico. All Relevant Parties have entered into deeds (the “**Deeds**”) with us, pursuant to which they agreed to receive the Relevant Payments on our behalf and transfer such Relevant Payments to us free of charge. Company A and Company G ranked among our top five customers and suppliers in certain years during the Track Record Period. For details on them, please refer to the section headed “Business – Customers and Suppliers”.

BUSINESS

In 2018, the Relevant Payments amounted to approximately RMB32.2 million (of which RMB2.2 million and RMB30.0 million is attributable to Company A and Company G respectively), representing approximately 11.7% of our total revenue of the year. For the six months ended 30 June 2019, the Relevant Payments amounted to approximately RMB15.2 million (of which RMB2.4 million and RMB12.8 million is attributable to Company A and Company G respectively), which is less than 10% of our total revenue of the same period based on our consolidated statements of comprehensive income for the same period.

During the Track Record Period and up to the Latest Practicable Date, there had not been any (i) dispute in relation to or arising out of the Settlement Arrangements; (ii) Relevant Payment claimed or withheld by any Relevant Party or its liquidator; or (iii) challenge or demand from Company A and Company G regarding the Settlement Arrangements.

According to the iResearch Report, the payment arrangement through designated parties is a commercial practice commonly seen in the industry of mobile apps development business in the PRC and overseas markets, such as market players who monetise their apps with the major global mobile programmatic advertising services providers.

Operation flow of the Settlement Arrangements

The typical transaction flow of the monetisation of a designated app as mentioned above for the Settlement Arrangements is as follows:

- an app developed by us was monetised under the monetisation account (an account registered and opened on mobile app advertising platforms, such as Company A or Company G, to monetise apps by transacting app's ad traffic) managed by our operations team who kept records of account information, conducted external communication with Company A or Company G about the platforms' features and functions and internal communication with our research and development team about our app's monetisation rate and performance, and assigned a bank account of Relevant Party in Hong Kong to link with the monetisation account with Company A or Company G to settle revenue attributable to the app;
- monetisation revenue from the app was settled by Company A or Company G monthly which made payments to the Relevant Party's bank account in Hong Kong;
- our operations team and finance team monitor the app monetisation accounts from time to time to check for our monetisation revenue and payments from Company A or Company G to the Relevant Party.

BUSINESS

We conducted the opening, maintenance and management of such monetisation account by ourselves. By logging into each monetisation account, we were able to see full revenue records as well as full payment records from Company A or Company G which can be matched with the receipt records of the Relevant Parties. We recorded such revenue received through the Settlement Arrangements properly in our financial statements for such period in which they arose according to the records in the relevant monetisation accounts, based on which we conducted our tax reporting in accordance with applicable laws. Therefore, our Directors confirmed that there was no tax evasion due to or arising from the Settlement Arrangements. Based on the due diligence performed by, and information and representations given to, the Sole Sponsor, nothing has come to the attention of the Sole Sponsor that led it to cast doubts on our Directors' view above.

Reasons for Using the Settlement Arrangements

We used the Settlement Arrangements mainly for the following reasons:

- ***To reduce operational risk (for Company G).*** Mobile apps are subject to the risk of suspension by Company G due to a perceived violation of its policies, such as falsifying a large quantity of downloads or clicking of in-app advertisements within a short period of time. A policy violation could be caused by factors outside our control, for example, a third party such as our competitor may maliciously create such a perceived violation by taking the aforesaid falsifying action by itself to disturb our apps' operation. If Company G concludes such manipulation of one of our apps results in a violation of its policies, not only that particular app may be suspended but also other of our apps which use the same monetisation account and/or bank account may be suspended.

We had maintained only one bank account in Hong Kong for receiving monetisation revenue before we adopted the Settlement Arrangements. Therefore, since we have developed more apps, in order to manage the risk of being attacked by third parties as mentioned above, starting from August 2018, we used Relevant Parties' certain bank accounts for receiving the monetisation revenue of our related new apps from Company G.

Although we have been in compliance with the policy imposed by Company G in all material aspects and have not encountered any material non-compliance incidents during the Track Record Period and up to the Latest Practicable Date, we have used the Settlement Arrangements to reduce the operational risk as mentioned above.

BUSINESS

- ***To access quality monetisation service (for Company A):*** In practice, for app developers who monetised their apps with Company A, Company A would provide quality monetisation assistance to those who frequently maintain high transaction amount with Company A, or those new players (a player will be regarded as a new player if the player's bank account is newly registered with Company A) with good apps evaluated as high potential app developer. Such quality monetisation assistance mainly include (i) the assignment of a one-on-one monetisation manager with whom app developers can get in touch timely when they encounter problems, (ii) the provision of advisory guidelines on Company A's new policies and features, and (iii) the invitations to attend offline forums organised by Company A that may include training sessions for app developers and collection of app developers' feedback. Such assistance can help app developers manage app monetisation more efficiently. As mentioned above, along with the development of our app development business in 2018, we desired quality monetisation assistance from Company A. Even though we have well-established business relationship with Company A, our then transaction volume under our own monetisation accounts with Company A cannot reach their benchmark for providing such quality monetisation assistance during the material time.

In view of the above, from August 2018, we utilised the respective bank accounts of Mobile Alpha and West Street Technology which have not been registered with Company A before, together with our newly developed apps, to get the high potential app developer status recognised by Company A and therefore to obtain quality monetisation assistance from Company A. Such arrangement, however, had resulted in the Settlement Arrangements for our related new apps.

Having considered the following factors, amongst others:

- (i) the business nature and underlying reasons of the Settlement Arrangements as mentioned in the sub-section headed "Certain Settlement Arrangements";
- (ii) that our day-to-day operations with Company A and Company G are conducted through their respective operational entities, and such entities have confirmed that they were fully aware of the Settlement Arrangements and that the Settlement Arrangements were in compliance with all the terms and conditions set out by Company A and Company G on the relevant commercial arrangements; and
- (iii) that there are precedent cases from time to time in the market that certain apps were removed from Company G's distribution or monetisation platform and such removal adversely affected the monetisation abilities of relevant app developers. For example, according to the iResearch Report, in the second quarter of 2018, due to violation of Company G's policy as well as competitors' complaint received by Company G, the monetisation of one developer's various apps were suspended by Company G; in December 2018, another two developers violated Company G's policy, and their relevant apps were removed from Company G's app distribution

platform and monetisation platform, while one of them explained that such policy violation was caused by third party which was out of its control; in 2019, more than 40 apps from one developer and more than 60 apps from another developer were removed from Company G's app distribution platform in April and July respectively, due to policy violation by some of their apps. Although there is no obvious and material lead that our Group's apps would be attacked by third parties in the near future, we are subject to such risks from time to time,

our Directors are of the view that the Settlement Arrangements were solely used to reduce operational risk for transactions with Company G and access quality monetisation services for the transactions with Company A without any other benefits, Company A and Company G were fully aware of the Settlement Arrangements and the Settlement Arrangements were in compliance with all the terms and conditions set out by Company A and Company G on the relevant commercial arrangements. Based on the due diligence performed by, and information and representations given to, the Sole Sponsor, nothing has come to the attention of the Sole Sponsor that led it to cast doubts on our Directors' view above.

Analysis of Potential Risks

We may be subject to certain potential legal and operational risks in relation to the Settlement Arrangements including without limitation the risk of non-compliance with anti-money laundering laws, anti-corruption laws and other applicable laws of various jurisdictions, mishandling of funds due to a potential deficiency in our internal control system and risks related to the potential bankruptcy of the Relevant Parties.

Potential Legal Risks

As advised by our Hong Kong Legal Counsel on anti-money laundering laws, anti-corruption laws and other laws of Hong Kong in respect of the Settlement Arrangements:

- the Settlement Arrangements are governed by Hong Kong Laws, since the receipt of Relevant Payments by Relevant Parties from Company A and Company G and their forwarding of Relevant Payments to us all took place in Hong Kong and through bank accounts in Hong Kong;
- we were not in breach of any applicable laws in Hong Kong by utilising the Settlement Arrangements;
- the obligations of Company A and Company G to pay to us were validly discharged when the Relevant Parties were paid on behalf of us with our consent;

BUSINESS

- there is no basis to suggest that there can be any factor leading to reasonable suspicion of money laundering given that (i) we received payments from not total strangers but from the Relevant Parties, all of which had existing relationships with us; and (ii) there was clear documentary proof as to the sources of the payments including the record of the apps uploaded and the amount generated from these apps;
- the Relevant Parties were agents for receiving the Relevant Payments from Company A and Company G and, as such, were bound to pay over or account for such Relevant Payments to us. Therefore, they were not entitled to withhold the payments they received or claim them back after paying us. In the event of a bankruptcy of a Relevant Party, the liquidator or trustee would not be entitled to either withhold those funds or claim for the return of those funds paid to us; and
- all Relevant Parties entered into deeds in which, amongst others, the Relevant Parties acknowledged they received the Relevant Payments on behalf of us.

Considering (i) the places of incorporation of the Group's main operating entities, (ii) the places of incorporation of the group companies or related entities of Company A and Company G involved in the Settlement Arrangements, and (iii) the governing law of the applicable commercial terms concerning the Settlement Arrangements, we have also engaged legal counsels in five jurisdictions, namely, the State of Delaware of USA, the State of California of USA, Singapore, Ireland and PRC (the "**Relevant Jurisdictions**"), to opine on the compliance of the Settlement Arrangements with anti-money laundering, anti-corruption and other relevant laws, rules and regulations of their respective jurisdictions.

As advised by our Delaware Legal Adviser, California Legal Adviser, Singapore Legal Adviser, Ireland Legal Adviser and PRC Legal Adviser, the Settlement Arrangements did not violate the anti-money laundering, anti-corruption or other relevant laws, rules and regulations of the Relevant Jurisdictions, or risk of such violation is remote.

Based on the opinions of the above legal counsels, our Directors consider that the risk of non-compliance with rules, regulations and applicable laws of the PRC, Hong Kong and the Relevant Jurisdictions where Company A and Company G operate from/ have subsidiaries in, including the relevant anti-money laundering statutes, arising from the Settlement Arrangements is remote. Based on the due diligence performed by, and the information and representations given to, the Sole Sponsor, nothing has come to the attention of the Sole Sponsor that led it to cast doubts on our Directors' view above.

BUSINESS

Potential Operational Risks

To enhance our internal control measures and to safeguard our interest against potential operational risks associated with the Settlement Arrangements including the misappropriation of assets, we have implemented the following internal control measures: (i) our operations team is required to open, maintain and manage our monetisation accounts and link them with relevant bank accounts; (ii) our finance team is required to monitor the app monetisation accounts from time to time to check for our monetisation revenue, and match it with the receipt records of the Relevant Parties; (iii) the Relevant Parties did not have the relevant passwords to the monetisation accounts; and (iv) Ms. Lyu Xiaonan, our finance director, and Ms. Yun Yahui, our product operations manager shall be responsible for reporting the above matters to our chief executive officer regularly and making sure all relevant monetisation revenue was paid back to us accordingly.

Given that the Internal Control Consultant performed the Internal Control Review and the Follow-up Review (as defined below in the paragraph headed “Operational Risk Management” in this section) and it did not have any further recommendation in the Follow-up Review for the cash management, the Directors consider that our Group’s internal control measures for its cash management are adequate and effective. Based on the due diligence performed by, and the information and representations given to, the Sole Sponsor, nothing has come to the attention of the Sole Sponsor that led it to cast doubts on our Directors’ view above.

Cessation of the Settlement Arrangements

Since the adoption of the Settlement Arrangements, we continued to accumulate experience in, and enhance our management of, the app monetisation business, especially under our strategy to continue expanding our app development business. On 17 April 2018, we engaged an official publishing partner of Company G (the “**Publishing Partner**”) to provide certain monetisation services to us. Such services include (i) maintaining certain monetisation accounts with Company G and collecting our monetisation revenue therefrom and (ii) providing suggestions to us from time to time by, amongst others, leveraging its ability to have the latest information about the policies of, and functionalities offered by, Company G. Considering the rapid growth of our proprietary app traffic monetisation business, we started to use the Settlement Arrangements in August 2018 to reduce our operational risks and access quality monetisation services. Subsequently, in order to mitigate the abovementioned legal and operational risks of the Settlement Arrangements, we began to explore and develop other monetisation models. In April 2019, in the course of seeking alternatives for the Settlement Arrangements, it was brought to our attention that as the Publishing Partner maintained a close relationship with Company G, even when there is some malicious manipulation of one app performance by third parties, Company G would deal with the Publishing Partner for the status of that particular app only and other apps using the related monetisation account and/or bank account would not be suspended. As such, in consideration of the advice from our legal counsels and Internal Control Consultant and in order to cease the Settlement Arrangements in respect of Company G since April 2019, we further expanded our cooperation with the Publishing Partner by monetising more of our apps through the accounts it maintained for us.

BUSINESS

According to iResearch Report, the use of the aforesaid services provided by the Publishing Partner by other app developers like us to enhance their monetisation performance and to reduce the risk of collective app monetisation suspension by Company G is common in our industry. Our Directors confirm that, save for the part of monetisation payments settled by Company G directly with us, all of our revenue from Company G's monetisation platform is being settled through the Publishing Partner since 1 June 2019 after the cessation of the Settlement Arrangements for Company G.

In order to cease the Settlement Arrangements for Company A, our newly incorporated subsidiary, namely, Solo X Technology has opened a new bank account in Hong Kong, through which we obtained a high potential app developer status from Company A, thereby allowing us to continue to obtain quality monetisation assistance from Company A. All Settlement Arrangements with Company A have ceased by 31 May 2019 and our Directors confirm that since then, all of our revenue from Company A's monetisation platform is being settled with Company A directly.

After the implementation of the above new arrangements, we have ceased all Settlement Arrangements by 31 May 2019, and all Relevant Payment have been received by us from the Relevant Parties. Further, we believe that the historical benefits of the Settlement Arrangements are no longer of significance to our app monetisation business and, therefore the cessation of the Settlement Arrangements will not have any material adverse effect on our business, financial condition and results of operations.

Having considered the foregoing, including the nature and reasons for the Settlement Arrangements, the advice from legal counsels, the internal control measures adopted by our Company and based on the Internal Control Review performed by our Internal Control Consultant, and, in particular, on the basis that:

- (i) the occurrence of the Settlement Arrangements was not related to the dishonesty, gross negligence or recklessness of our Directors nor for illegitimate purposes;
- (ii) there was nothing in respect of the Settlement Arrangements that reflects negatively on the integrity and competency of our Directors or our Company's suitability for listing on the Stock Exchange;
- (iii) the Settlement Arrangements have not resulted in any adverse material impact on our business operations and financial position; and
- (iv) the Group has ceased all Settlement Arrangements by 31 May 2019,

our Directors are satisfied that the Settlement Arrangements would not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules and hence the suitability for listing of our Company. In light of the above, based on the due diligence conducted by, and the representations and information given to, the Sole Sponsor, nothing has come to the attention of the Sole Sponsor that led it to cast doubts on our Directors' view above.

BUSINESS

EMPLOYEES

As at 30 June 2019, we had two offices with a total of 181 full-time employees, 152 of whom were based in Beijing, 29 of whom were based in Jinan. The table below sets forth our employees by function as at 30 June 2019:

Function	Number of Employees	% of Total
Operation	51	28.2
Research and development	79	43.6
Sales, business development and marketing	16	8.8
Management, finance and administration	35	19.3
Total	181	100.0

We believe our success depends heavily upon our employees' provision of consistent, quality and reliable services. We recruit our personnel through professional search firms, recruiting websites and job fairs. We have established a merit-based remuneration system to correlate the remuneration of our employees with their contribution to operation results. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business.

During the Track Record Period, we did not experience any material labour disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations.

We attached great importance on the training and development of our employees. As a matter of policy, we provide training programmes for new employees to equip them with the skill set and work ethics. We also provide our employees with training sessions tailored to each job function to enhance their technical knowledge and service quality. Through these trainings, we ensure that our staff's skill sets remain up-to-date and enable them to discover and meet our clients' needs.

As required under the regulations of the PRC, we participate in various employee social security plans organised by relevant local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity, and unemployment benefit plans. Our PRC Legal Adviser is of the view that we had complied with all applicable PRC regulations relating to contributions to social insurance and housing funds for our employees in all material respects during the Track Record Period.

BUSINESS

INSURANCE

We do not maintain any business interruption insurance, general third-party liability insurance or product liability insurance. Nor do we maintain insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. During the Track Record Period, we did not make any material insurance claims in relation to our business. See “Risk Factors – Risks Relating to Our Business and Industry – Our business insurance coverage may be inadequate and could expose us to significant costs and business disruption.” in this prospectus.

PROPERTY

As of the Latest Practicable Date, we did not own any properties and we leased one property in Beijing with a gross floor area of approximately 1,550 square metres and one property in Jinan, Shandong with a gross floor area of approximately 1,400 square metres. Our leased properties are used as office premises for administration. We are negotiating with our lessors regarding to the renewal of our leased properties and, our Directors are of the view that, there is no impediment to renew our leased properties, but in the unlikely event that we are required to move, we can find suitable alternative properties for offices readily in Beijing, without imposing any material adverse effect on our business, financial condition and results of operations.

As of the Latest Practicable Date, the lease agreements had not completed lease registration with the relevant regulatory authorities. According to PRC law, the non-registration of lease agreements will not affect the validity of such lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations. As of the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of lease agreements.

According to Rule 5.01A of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, 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 Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in lands or buildings, because as of 31 December 2018, the carrying amount of our property interest was less than 15% of our consolidated total assets.

BUSINESS

OCCUPATIONAL HEALTH, WORK SAFETY AND ENVIRONMENTAL PROTECTION

Our health and safety rules in our employee manual are based on government regulations and require all employees to follow these rules. During the Track Record Period and up to the Latest Practicable Date, there had not been any material incidents concerning occupational health, work safety or environmental protection, and we were in compliance with relevant laws and regulations in all material respects.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we were involved in legal or other disputes arising in the ordinary course of our business. In 2018, NewBornTown Network Technology entered into an agreement with one of our customers, whereby we provided the customer with advertising service. We had provided the agreed service from July 2018 to September 2018 whereas did not receive service fee from the customer within the contractually agreed settlement period. As of 31 December 2018, the amount due from the customer was RMB11.0 million (the “**Service Fees**”). Since the customer failed to fulfil its payment obligations after we issued payment notifications and we did not agree on a written payment plan at that time, our Directors decided to have the dispute resolved by arbitration. We filed the arbitration administrated by relevant arbitral authority in January 2019. The hearing took place in May 2019 and we entered into a payment schedule with the customer on 14 August 2019, whereby the customer agreed to repay all the outstanding Service Fees by 19 installments and the latest would be paid by 31 December 2020. On the same day, the arbitral authority issued a mediation order (the “**Mediation Order**”). Pursuant to the Mediation Order, we shall recover all the amount under the payment schedule and are entitled to apply for legal enforcements in the circumstances of the customer’s breach of such payment schedule.

During the Track Record Period and up to the Latest Practicable Date, there were no legal proceedings pending or threatened against us or any of our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we did not commit any material violations of applicable laws and regulations that are likely to have a material adverse impact on our business, prospects, financial condition or results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL

We have adopted a series of internal control policies, procedures and programmes designed to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Our key risk management objectives include: (i) identifying different risks of our operations; (ii) assessing and prioritising the identified risks; (iii) developing appropriate risk management strategies for different risks; (iv) monitoring and managing risks and our risk tolerance level; and (v) execution of measures to respond to risks.

Financial Reporting Risk Management

We have in place a set of policies in connection with our financial reporting risk management, such as financial system management, assets protection management, budget management and operation analysis management. We also have procedures in place to implement such policies, and our financial department reviews our management accounts based on such procedures. In addition, we provide training to our financial department staff to ensure they understand our accounting policies and procedures.

Information Risk Management

We pay close attention to risk management relating to our information technology, as storage and protection of our user data and other related information is critical to us. We have adopted various policies on database operation to prevent information leakage and data loss and keep records of all database operations. Further, we use monitoring systems to monitor the data operating status of the server and alert relevant departments to abnormal situations. Our daily maintenance, access control system and other measures also help maintain the proper management of our operational data.

Human Resource Risk Management

We have established internal control policies covering various aspects of human resource management. We adopt high standards in recruitment with strict procedures to ensure the quality of new hires. Our employee handbook contains guidelines regarding best commercial practise, work ethics and prevention of fraud, negligence and corruption. We have in place the employee handbooks and distribute them to our employees. We organise training sessions conducted by our senior employees on topics critical to our business operations. In addition, potential violations of internal policies or illegal acts can be reported to management through reporting channels. Our management is responsible for taking appropriate measures to minimise damage.

Regulatory Compliance Risk Management

Compliance with applicable laws and regulations, especially laws and regulations governing the mobile internet industry are major focus areas of our regulatory compliance risk management. We have a dedicated legal team that performs the basic function of reviewing and updating the form of contracts we enter into with our advertisers, publishers and business partners. Our legal team also works with our external legal counsel to ensure that we have obtained and maintained all the necessary permits and licences required for our operations. We continually improve our internal policies according to changes in laws, regulations and industry standards and update internal templates for legal documents.

Operational Risk Management

We are exposed to various risks associated with our business operations. See “Risk Factors – Risks related to our business and industry”. We have established operational risk management with relevant policies and procedures that we believe are appropriate for our business operations. Our Board of Directors is responsible for the establishment and updating of our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to each functional department.

In preparation for the Listing, we have engaged an independent third party consultant (the “**Internal Control Consultant**”) to perform a review over selected areas of our internal controls over financial reporting from January to December 2018 (the “**Internal Control Review**”), resulting in the identification of recommendations for improvement. The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us, the Sole Sponsor and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including revenue, human resources, cash, investment, expense, intangible assets, financial reporting and general controls of information technology.

The Internal Control Consultant performed the follow-up reviews in June 2019 to review the status of the management actions taken by the Company to address the findings of the Internal Control Review (the “**Follow-up Review**”). The Internal Control Consultant did not have any further recommendation in the Follow-up Review except for the establishment of internal audit department and policy, and lack of internal control deficiencies report, which is expected to be established or remediated by us upon listing.

BUSINESS

LICENCES AND PERMITS

As advised by our PRC Legal Adviser, as of the Latest Practicable Date, we had obtained all requisite licences, approvals and permits from the relevant government authorities that were material for our business operations and such licences, approvals and permits remained in full effect. We renew our licences, approvals and permits in compliance with relevant laws and regulations. Taking into account our on-going compliance with the relevant regulatory requirements, our Directors and PRC Legal Adviser are of the view that there is no legal impediment to renew any licences, approvals, registrations and permits that are required for our business operations with the relevant authorities.

The following table sets forth the licences and permits we had obtained as of the Latest Practicable Date:

<u>Licence/Permit</u>	<u>Holder</u>	<u>Grant Date</u>	<u>Authority</u>	<u>Expiry Date</u>
Value-Added Telecom Business Permit (增值電信業務經營許可證)京B2-20171430	NewBornTown Network	23 October 2017	Beijing Communications Administration	23 October 2022
Value-Added Telecom Business Permit (增值電信業務經營許可證)京B2-20190503	NewBornTown Mobile	13 March 2019	Beijing Communications Administration	13 March 2024
China Software Enterprise Evaluation (軟件企業證書)魯RQ-2019-0020	Shandong NewBornTown	1 April 2019	Shandong Software Industry Association	31 March 2020

Pursuant to the Interim Administrative Provisions on Internet Culture (《互聯網文化管理暫行規定》), or the “**Internet Culture Provisions**” adopted on February 11, 2011 and amended on December 15, 2017, companies engaging in for-profit internet cultural business are required to obtain an Internet Culture Business Licence. For-profit internet cultural business is defined as business activities that provide internet cultural products and services and make profits (i) by charging fees from the internet users, or (ii) through e-commerce, advertisement, sponsorship and other similar activities. For the purpose of further developing our Solo X product matrix in the future, we are preparing to apply for the Internet Culture Business Licence.

BUSINESS

AWARDS AND RECOGNITION

The following table sets forth some of our major awards and recognitions as of the Latest Practicable Date:

<u>Award/Recognition</u>	<u>Award Date</u>	<u>Awarding Institution/Authority</u>
Global Brand Leadership Award	January 2019	2019 Global AI Marketing Leaders Summit
2018 Top 100 New Economic Enterprises of Guangdong-Hong Kong-Marco Greater Bay Area	December 2018	China Venture Investment Convention
2018 Forbes 30 Under 30 Asia List (In recognition of Mr. LI Ping)	March 2018	Forbes Asia
2017 Zhongguancun Top 100 Fastest-Growing Companies	December 2017	Beijing Zhongguancun High-tech Enterprises Association
2017 Forbes 30 Under 30 China List (In recognition of Mr. LI Ping)	October 2017	Forbes China
The Fastest Growing Enterprise Award	May 2017	Beijing SMEs Development Fund
2016 Start-up Entrepreneur of China	November 2016	Beijing News “Looking for Chinese Creators”
The Best Going Global Platform	April 2017	GMIC
The Most Promising Global Platform	April 2016	GMIC
Google Play Awards “Best Apps”	2015	Google Play
Google Play Awards “Top Developers”	2015	Google Play

CONTRACTUAL ARRANGEMENTS

BACKGROUND

We are principally engaged in proprietary app traffic monetisation business and mobile advertising platform and related business. Proprietary app traffic monetisation business is considered as value-added telecommunications services in the PRC and ICP Licence is required. We developed apps which are offered in and outside the PRC. Value-added telecommunications services is a sector where foreign investment is subject to restrictions under the PRC laws and regulations as detailed below.

Our Consolidated Affiliated Entities are NewBornTown Mobile Technology and NewBornTown Network Technology, both of them are companies established under the laws of the PRC, which hold the requisite licence, permit and approval required for the provision of proprietary app traffic monetisation business, including the ICP Licence, which are essential to the operation of our business. For further details of the limitations on foreign ownership in PRC companies conducting value-added telecommunications services and the licencing and approval requirement applicable to our business under the PRC laws and regulations, see section headed “Regulatory Overview – Laws and Regulations in the PRC – Regulations Relating to Value-Added Telecommunication Services” in this Prospectus.

Business With Foreign Investment Restriction

Categories of Business	Proprietary app traffic monetisation
Relevant Subsidiaries	<ul style="list-style-type: none">• NewBornTown Mobile Technology• NewBornTown Network Technology

In order to comply with the PRC laws and regulations, while availing ourselves of international capital markets and maintaining effective control over all of our operations, the Consolidated Affiliated Entities have transferred mobile advertising platform and related business to WFOE. The Consolidated Affiliated Entities keep proprietary app traffic monetisation business and ICP Licence. WFOE has entered into various agreements with and among the PRC Equity Holders and other related parties. Under the Contractual Arrangements, WFOE has acquired effective control over the financial and operational policies of the Consolidated Affiliated Entities and has become entitled to all economic benefits derived from their operations to the extent permitted under the PRC laws and regulations by means of services fees payable by the Consolidated Affiliated Entities to WFOE. NewBornTown Network Technology continues to be a minority shareholder of Beijing Amber Creative and Mico, holding approximately 3% and 16.77% equity interest respectively as of the Latest Practicable Date. Beijing Amber Creative and Mico are engaged in mobile app development business.

CONTRACTUAL ARRANGEMENTS

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS

Prohibited and restricted foreign investment activities in mainland China are mainly governed by the Guidance Catalogue of Industries for Foreign Investment, which was promulgated and is amended from time to time by the MOFCOM and the NDRC. The latest effective catalogue was amended in 2017, or the Guidance Catalogue of Industries for Foreign Investment (Amended in 2017) (《外商投資產業指導目錄(2017年修訂)》) (“Catalogue”), which was replaced by the Special Management Measures (Negative List) for the Access of Foreign Investment (2018 version) (《外商投資准入特別管理措施(負面清單) (2018年版)》) with effect from 28 July 2018, and further replaced by the Special Management Measures (“Negative List”) for the Access of Foreign Investment (2019 version) (《外商投資准入特別管理措施(負面清單) (2019年版)》) with effect from 30 July 2019 (“Negative List”), which sets forth restrictive measures for market entry of foreign investors, such as equity requirements. Foreign investors shall comply with the restrictive requirements of the Negative List when engaging in the restricted items listed in the Negative List. According to Part 7 of the Negative List, foreign-invested enterprises are restricted from operating, among other things, (i) basic telecommunication business, and (ii) value-added telecommunication business (except for the electronic commerce business, domestic multi-party communications, storage and forwarding, and call centers).

As confirmed by our PRC Legal Adviser, the operation of proprietary app traffic monetisation business within the PRC, in particular that if the relevant company intends to generate revenue in PRC through the operation of such apps, falls into the value-added telecommunications services business as described in Part 7(ii) of the Negative List abovementioned, and the relevant company is requested to apply for a ICP license, therefore, the Group’s proprietary app traffic monetisation business is subject to foreign investment restrictions as per the Negative List which came into effect on 30 July 2019. As confirmed by our PRC Legal Adviser, our mobile game operation is subject to foreign investment prohibition and is required to obtain relevant license and qualifications requested by the governmental authorities when we offer mobile games in PRC; we do not intend to launch any mobile apps in the Games sub-matrix in the PRC market prior to obtaining the relevant license and qualifications. According to the Catalogue of Telecommunications Business (《電信業務分類目錄》), attached to the Telecommunications Regulations and last amended by the MIIT on 6 June 2019, value-added telecommunications services business could be further sub categorized into the first sub-category value-added telecommunications service and the second sub-category value-added telecommunications service. The provision of internet information services is listed as “B-25” type of the second sub-category value-added telecommunications services. Thus, the operation of proprietary app traffic monetisation business may involve with various types of value-added telecommunications services as categorized by the Catalogue of Telecommunications Business (《電信業務分類目錄》). The operation of proprietary app traffic monetisation business provided by the Company is subcategorized as “B-25, the provision internet information services”, and is therefore requested to obtain the ICP License. And proprietary app traffic monetisation business is considered “restricted” from holding more

CONTRACTUAL ARRANGEMENTS

than 50% equity interests by foreign investors. We operate proprietary app traffic monetisation business under the Contractual Arrangements and are of the view that the Contractual Arrangements are narrowly tailored for the following reasons:

1. The Consolidated Affiliated Entities are engaged in proprietary app traffic monetisation business with apps offered in and outside the PRC and possess an ICP licence.
2. The Consolidated Affiliated Entities have transferred mobile advertising platform and related business to WFOE, a wholly foreign-owned enterprise owned by Solo X Technology.
3. On 11 April 2019, the Sole Sponsor and our PRC Legal Adviser conducted an interview with an officer of the MIIT. Our PRC Legal Adviser confirm that the MIIT is the competent regulatory body tasked with the power to issue ICP Licences and review and consider applications for the issue of ICP Licences to foreign-invested enterprises. The officer of the MIIT confirmed at the interview that if the Company or Solo X Technology acquired any percentage of equity interest in NewBornTown Mobile Technology or NewBornTown Network Technology and thereby converting NewBornTown Mobile Technology or NewBornTown Network Technology from a domestic company to a foreign-invested enterprise, the MIIT would rescind the ICP Licence held by the Consolidated Affiliated Entities. As a policy matter, the officer of the MIIT also confirmed that, in practise, value-added telecommunication business was heavily regulated by the PRC government, and the MIIT almost never issued ICP Licences to foreign-invested enterprises. Thus, with regard to our case, the officer of the MIIT further confirmed that if the Company or Solo X Technology acquired any percentage of equity interest of NewBornTown Mobile Technology or NewBornTown Network Technology and thus converting any of NewBornTown Mobile Technology or NewBornTown Network Technology from a domestic company to a foreign-invested enterprise, the MIIT would not, as a matter of policy as mentioned above, issue any of them with an ICP Licence.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements are freely negotiated and entered into between WFOE, NewBornTown Mobile Technology and the PRC Equity Holders, (ii) by entering into the Exclusive Business Cooperation Agreement with WFOE (which is a wholly-owned PRC subsidiary of the Company), the Consolidated Affiliated Entities will enjoy better economic and technical support from our Group, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

CONTRACTUAL ARRANGEMENTS

QUALIFICATION REQUIREMENTS

On 11 December 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定(2016年修訂)》) (“**FITE Regulations**”), which were amended on 10 September 2008 and 6 February 2016. According to the FITE Regulations, foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC shall have a record of good performance and operating experience in managing value-added telecommunications business (“**Qualification Requirements**”). Our PRC Legal Adviser has advised us that as of the Latest Practicable Date, no applicable PRC laws, regulations or rules provided clear guidance or interpretation on the Qualification Requirements. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, a foreign investor who invests in a value-added telecommunications business in the PRC may provide documents certifying its experience in operating websites, APP, or licenses or filing it obtains in other jurisdictions in respect of the operation value-added telecommunications business to prove that it has a record or good performance and operation experience. However, this guidance memorandum does not purport to provide an exhaustive list on the Qualification Requirements. Our PRC Legal Adviser has advised us that, as of the Latest Practicable Date, (i) this guidance memorandum has no legal or regulatory effect under the PRC laws, and (ii) the Qualification Requirements are ultimately subject to substantive examination by the MIIT.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas value-added telecommunications business operations for the purpose of being qualified. We have taken the following measures through Solo X Technology:

- (i) had applied for the registration of 4 trademarks in Hong Kong;
- (ii) operated proprietary app traffic monetisation business in Hong Kong; and
- (iii) monetised 15 apps which are offered in both Google Play and Apple App store through mobile advertising, and received payments from ad agency.

In view of the forgoing, subject to the discretion of the competent authority in determining whether our Group has fulfilled the Qualification Requirements, our PRC Legal Adviser is of the view that financial and other resources and steps committed by the Group to meet the Qualification Requirements are reasonable, appropriate and sufficient.

On 11 April 2019, the Sole Sponsor and our PRC Legal Adviser conducted an interview with an officer of the MIIT. However, we were advised by the MIIT that if the Company or Solo X Technology acquired any percentage of equity interest of NewBornTown Mobile Technology or NewBornTown Network Technology and thus converting any of NewBornTown

CONTRACTUAL ARRANGEMENTS

Mobile Technology or NewBornTown Network Technology from a domestic company to a foreign-invested enterprise, the MIIT would not, as a matter of policy as mentioned above, issue any of them with an ICP Licence.

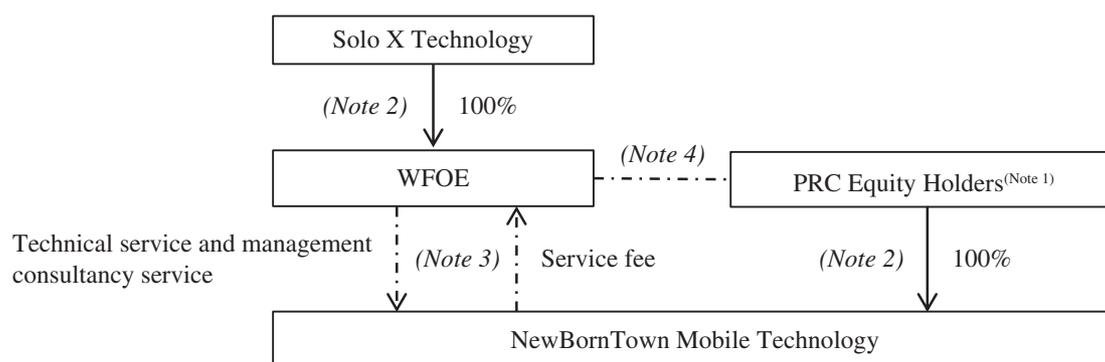
As advised by our PRC Legal Adviser, (i) the interview was made with the competent official who has the appropriate authority, and (ii) the MIIT is the competent and ultimate authority to give the relevant confirmation.

We will, as applicable and when necessary, disclose the progress of our overseas expansion plans and any updates to the Qualification Requirements in our annual and interim reports to inform Shareholders and other investors after the Global Offering. We will also make periodic inquiries to relevant PRC authorities to understand any new regulatory development and see specific guidance as to the Qualification Requirements.

Therefore, our Directors are of the view that the Contractual Arrangements are narrowly tailored, as they are used to enable our Group to conduct business only in industries that are subject to foreign investment restrictions in the PRC. Nevertheless, we will terminate the Contractual Arrangements to the extent permissible and directly hold the maximum percentage of ownership interests permissible by the relevant laws if the relevant government authority grants the ICP Licence to the Sino-foreign equity joint venture established by us.

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:



Notes:

- (1) PRC Equity Holders refer to the registered shareholders of NewBornTown Mobile Technology, namely: Mr. Liu Chunhe, Mr. Huang Mingming, Mr. Ye Chunjian, Mr. Du Li, Mr. Li Ping, Longwin Xinhua, Plum Venture, Haitong Kaiyuan, Haitong Xinxi, Phoenix Fortune, Beijing Amphora, Hande Houcheng, and China Fuqiang.
- (2) “—>” denotes direct legal and beneficial ownership in the equity interest (except in the case of Huang Mingming, which the beneficial ownership in the equity interest of NewBornTown Mobile Technology is held by Huang Mingming on behalf of Future Capital Discovery Fund I, L.P.).

CONTRACTUAL ARRANGEMENTS

- (3) “--->” denotes contractual relationship, please refer to “Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements” for details.
- (4) “----” denotes the control by WFOE over the PRC Equity Holders and NewBornTown Mobile Technology through (i) powers of attorney to exercise all shareholders’ rights in NewBornTown Mobile Technology, (ii) exclusive equity call options to acquire all or part of the equity interests in NewBornTown Mobile Technology, (iii) exclusive asset call options to acquire all or part of the intellectual property and all other assets of NewBornTown Mobile Technology, and (iv) equity pledges over the equity interests in NewBornTown Mobile Technology.

SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements entered into by the WFOE, NewBornTown Mobile Technology and the PRC Equity Holders (as the case may be) is set out below.

Exclusive Business Cooperation Agreement

NewBornTown Mobile Technology and WFOE entered into the exclusive business cooperation agreement on 26 June 2019 (“Exclusive Business Cooperation Agreement”), pursuant to which the WFOE shall provide exclusive technical services and exclusive management consultancy services to NewBornTown Mobile Technology, including:

- (i) the use of any relevant software legally owned by the WFOE;
- (ii) development, maintenance and updating of software in respect of the NewBornTown Mobile Technology’s business;
- (iii) design, installation, daily management, maintenance and updating of network systems, hardware and database design;
- (iv) providing technical support and staff training services to relevant employees of NewBornTown Mobile Technology;
- (v) providing assistance in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign owned enterprises are prohibited from conducting under the laws of mainland China);
- (vi) providing business management consultation;
- (vii) providing marketing and promotional services;
- (viii) providing customer order management and customer services;
- (ix) transfer, leasing and disposal of equipment or properties; and

CONTRACTUAL ARRANGEMENTS

- (x) other relevant services requested by NewBornTown Mobile Technology from time to time to the extent permitted under the laws of China.

Pursuant to the Exclusive Business Cooperation Agreement, the service fee shall consist of 100% of the total consolidated profit of NewBornTown Mobile Technology, after the deduction of any accumulated deficit of NewBornTown Mobile Technology and its subsidiaries in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. The WFOE shall calculate the service fee on a monthly basis and issue a corresponding invoice to NewBornTown Mobile Technology. Notwithstanding the payment arrangements in the Exclusive Business Cooperation Agreement, the WFOE may adjust the payment time and payment method, and NewBornTown Mobile Technology will accept any such adjustment.

In addition, absent the prior written consent of the WFOE, during the term of the Exclusive Business Cooperation Agreement, with respect to the services subject to the Exclusive Business Cooperation Agreement and other matters, NewBornTown Mobile Technology shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the Exclusive Business Cooperation Agreement with any third party. The WFOE may appoint other parties, who may enter into certain agreements with NewBornTown Mobile Technology, to provide NewBornTown Mobile Technology with the services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provide that the WFOE have the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by NewBornTown Mobile Technology during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Business Cooperation Agreement; (b) in writing by the WFOE; or (c) renewal of the expired business period of either the WFOE or NewBornTown Mobile Technology is denied by relevant government authorities, at which time the Exclusive Business Cooperation Agreements will terminate upon termination of that business period.

Exclusive Option Agreements

i. Exclusive Equity Call Option Agreement

The PRC Equity Holders, NewBornTown Mobile Technology and WFOE entered into the exclusive equity call option agreement on 26 June 2019 (“Exclusive Equity Call Option Agreement”), pursuant to which the PRC Equity Holders shall irrevocably grant the WFOE or its designated purchaser the right to purchase all or part of the equity interests in

CONTRACTUAL ARRANGEMENTS

NewBornTown Mobile Technology, in whole or in part at any time and from time to time, at RMB1. If the minimum purchase price permitted under PRC laws and regulations is higher than RMB1, the transfer price shall be the minimum purchase price permitted under PRC laws and regulations.

Pursuant to the Exclusive Equity Call Option Agreement, the PRC Equity Holders and NewBornTown Mobile Technology have undertaken to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

- (a) without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the constitutional documents of NewBornTown Mobile Technology, increase or decrease its registered capital or change the structure of its registered capital in other manner;
- (b) without the prior written consent of the WFOE, they shall not at any time following the signing of such agreement sell, transfer, pledge or dispose of in any manner any assets of NewBornTown Mobile Technology or legal or beneficial interest in the business or revenues of NewBornTown Mobile Technology, or allow the encumbrance thereon of any security interest;
- (c) without the prior written consent of the WFOE, NewBornTown Mobile Technology shall not incur, inherit, guarantee or assume any debt, except for debts (i) incurred in the ordinary course of business other than payables incurred by a loan or (ii) disclosed to and agreed by the WFOE in writing;
- (d) without the prior written consent of the WFOE, they shall not cause NewBornTown Mobile Technology to execute any material contract with a value above RMB100,000, except the contracts executed in the ordinary course of business;
- (e) without the prior written consent of the WFOE, they shall not cause NewBornTown Mobile Technology to provide any person with any loan or credit;
- (f) they shall provide the WFOE with information on NewBornTown Mobile Technology's business operations and financial condition at the request of the WFOE;
- (g) if requested by the WFOE, they shall procure and maintain insurance in respect of NewBornTown Mobile Technology's 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 in the PRC;
- (h) without the prior written consent of the WFOE, they shall not cause or permit NewBornTown Mobile Technology to merge, consolidate with, acquire or invest in any person;

CONTRACTUAL ARRANGEMENTS

- (i) NewBornTown Mobile Technology shall not be liquidated or dissolved without prior written consent by the WFOE;
- (j) they shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to NewBornTown Mobile Technology's assets, business or revenue;
- (k) at the request of WFOE, to maintain the ownership by NewBornTown Mobile Technology 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 defences against all claims;
- (l) without the prior written consent of the WFOE, NewBornTown Mobile Technology shall not in any manner distribute dividends to their shareholders, provided that upon the written request of the WFOE, NewBornTown Mobile Technology shall immediately distribute all distributable profits to their shareholders and the PRC Equity Holders shall immediately and unconditionally pay or transfer the abovementioned distributable profits to WFOE; and
- (m) at the request of the WFOE, they shall appoint any persons designated by the WFOE as the directors of NewBornTown Mobile Technology.

In addition, the PRC Equity Holders, among other things, have covenanted that:

- (i) 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 NewBornTown Mobile Technology, or allow the encumbrance thereon of any security interest, except for the interests prescribed in the Equity Pledge Agreement, and procure the shareholders' meeting and/or the board of directors of NewBornTown Mobile Technology not to approve such matters;
- (ii) without the prior written consent of the WFOE, they shall not procure the shareholders' meeting or board of directors to permit NewBornTown Mobile Technology to merge, consolidate with, acquire or invest in any person;
- (iii) they shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the equity interest in NewBornTown Mobile Technology held by them;
- (iv) at the request of the WFOE, they shall cause the shareholders' meeting or board of directors of NewBornTown Mobile Technology to vote on the approval of the transfer of equity interests pursuant to the Exclusive Equity Call Option Agreement and any other action requested by the WFOE;

CONTRACTUAL ARRANGEMENTS

- (v) at the request of the WFOE, for purpose of the WFOE's holding of equity interest in NewBornTown Mobile Technology, 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 defences against all claims;
- (vi) at the request of the WFOE, they shall appoint any persons designated by the WFOE as the directors of NewBornTown Mobile Technology;
- (vii) at the request of the WFOE in any time, they shall immediately and unconditionally transfer its equity interests in NewBornTown Mobile Technology to the WFOE or any designated party 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 of NewBornTown Mobile Technology; and
- (viii) they shall strictly comply with the Exclusive Equity Call Option Agreement and other agreements entered into among the WFOE, NewBornTown Mobile Technology and them, and perform their obligation thereunder.

The Exclusive Equity Call Option Agreement was commenced on 26 June 2019 being the date of the agreements, until it is terminated (i) upon the transfer of the entire equity interests of NewBornTown Mobile Technology to WFOE or its designated person, or (ii) as agreed by all parties to the agreement.

ii. Exclusive Assets Call Option Agreement

NewBornTown Mobile Technology and WFOE entered into the exclusive assets call option agreement on 26 June 2019 ("Exclusive Assets Call Option Agreement"), pursuant to which the NewBornTown Mobile Technology shall irrevocably grant the WFOE or its designated purchaser the right to purchase all intellectual properties and all other assets in NewBornTown Mobile Technology, in whole or in part at any time and from time to time, at RMB1. If the minimum purchase price permitted under PRC laws and regulations is higher than RMB1, specified in PRC laws and regulations, the transfer price shall be the minimum purchase price permitted under PRC laws and regulations. Subject to the approval of both parties, the transfer fee of target assets under the Exclusive Assets Call Option Agreement may be offset by the relevant amount due to WFOE.

Pursuant to the Exclusive Assets Call Option Agreement, NewBornTown Mobile Technology have undertaken to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

- (a) without the prior written consent of the WFOE, NewBornTown Mobile Technology shall not at any time following the signing of such agreement sell, transfer, pledge or dispose of in any manner any assets of NewBornTown Mobile Technology;

CONTRACTUAL ARRANGEMENTS

- (b) NewBornTown Mobile Technology shall procure the shareholders' meeting of NewBornTown Mobile Technology not to approve any sell, transfer, pledge or dispose of in any other manner any assets of NewBornTown Mobile Technology;
- (c) NewBornTown Mobile Technology shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to NewBornTown Mobile Technology's assets;
- (d) at the request of the WFOE, NewBornTown Mobile Technology shall procure the shareholders' meeting to vote and permit the transfer of assets under the Exclusive Assets Call Option Agreement;
- (e) to maintain the ownership by NewBornTown Mobile Technology of all of its assets, NewBornTown Mobile Technology 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 defences against all claims;
- (f) at the request of WFOE, NewBornTown Mobile Technology shall immediately and unconditionally transfer the assets to the WFOE or its designated purchaser; and
- (g) NewBornTown Mobile Technology shall strictly comply with the Exclusive Assets Call Option Agreement and other agreements entered into among the WFOE and NewBornTown Mobile Technology, and perform obligation thereunder and shall not perform any action/inaction that will affect the validity and enforceability of such agreements.

The Exclusive Assets Call Option Agreement was commenced on 26 June 2019 being the date of the agreements, until it is terminated (i) upon the transfer of the entire assets of NewBornTown Mobile Technology to the WFOE or its designated person; or (ii) as agreed by all parties to the agreement.

Equity Pledge Agreement

The WFOE, NewBornTown Mobile Technology and the PRC Equity Holders entered into the equity pledge agreement on 26 June 2019 ("Equity Pledge Agreement"), pursuant to which each of the PRC Equity Holders agreed to pledge all of their respective equity interests in NewBornTown Mobile Technology to WFOE that they own, 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 NewBornTown Mobile Technology takes effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until the earlier date of (i) all the outstanding debts of the PRC Equity Holders and NewBornTown Mobile Technology under the relevant Contractual Arrangements

CONTRACTUAL ARRANGEMENTS

have been fully performed; (ii) the WFOE exercise its pledge rights in accordance with terms and conditions under such agreement; and (iii) each of the PRC Equity Holders has transferred his equity interests in NewBornTown Mobile Technology in accordance with the Exclusive Option Agreement.

The registration of the pledge of equity interests as required by the relevant laws and regulations has been completed in accordance with the term of the Equity Pledge Agreement and PRC Laws and regulations.

Powers of attorney

Each of the PRC Equity Holders and WFOE entered into the powers of attorney on 26 June 2019 pursuant to which the PRC Equity Holders irrevocably appointed the WFOE and its designated persons as its attorneys-in-fact to exercise on its behalf, and agreed and undertook not to exercise without such attorneys-in-fact's prior written consent, any and all right that it have in respect of its equity interests in NewBornTown Mobile Technology, including without limitation:

- (i) to convene and attend shareholders' meetings of NewBornTown Mobile Technology;
- (ii) to exercise all shareholder's rights and shareholder's voting rights in accordance with law and the constitutional documents of NewBornTown Mobile Technology, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in NewBornTown Mobile Technology;
- (iii) to execute any written resolutions; and
- (iv) to nominate or appoint the legal representatives, directors, supervisors, chief executive officers and other senior management of NewBornTown Mobile Technology.

Further, the Powers of Attorney shall remain effective for so long as each of the PRC Equity Holders holds equity interest in NewBornTown Mobile Technology, unless that (i) the Powers of Attorney is terminated by all parties; or (ii) all the equity interest or assets of NewBornTown Mobile Technology held by each of the PRC Equity Holders have been legally and effectively transferred to WFOE and/or a third party designated by it.

Confirmations from the PRC Equity Holders

Each of the PRC Equity Holders has confirmed 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 NewBornTown Mobile Technology, he/she has taken all necessary actions so that his/her successors (including his/her spouse) will not affect the PRC Equity Holders' interests in NewBornTown Mobile Technology.

CONTRACTUAL ARRANGEMENTS

Spouse undertakings

The spouse of each of the PRC Equity Holders, where appropriate, has signed an undertaking to the effect that (i) he/she undertakes that he/she will not make any claim against his/her sponsor's interests in NewBornTown Mobile Technology so that his/her authorisation or consent is not required for any modification or termination of the agreements under the Contractual Arrangements; (ii) he/she undertakes to sign all necessary documents and take all necessary actions to ensure the agreements under the Contractual Arrangements (as amended from time to time) are properly performed; (iii) he/she undertakes to be bound by the agreements under the Contractual Arrangements (as amended from time to time) in the event that he/she for any reason obtains any equity interests of NewBornTown Mobile Technology as the relevant PRC Equity Holder's spouse; and (iv) he/she consents to sign a series of agreements with the same format and content as the agreements under the Contractual Arrangements at the request of the WFOE, as the case may be.

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 for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be confidential 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 the arbitral tribunal may award remedies over the shares or assets of NewBornTown Mobile Technology 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 NewBornTown Mobile Technology; any party may apply to the courts of places which have jurisdiction (including Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC) for interim remedies or injunctive relief.

However, our PRC Legal Adviser has advised that an arbitral tribunal normally would not grant such kind of injunctive relief or 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 recognisable or enforceable in the PRC.

As a result of the above, in the event that NewBornTown Mobile Technology or the PRC Equity Holders 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. Please see "Risk Factors – Risks Relating to our Contractual Arrangements" for further details.

CONTRACTUAL ARRANGEMENTS

Loss Sharing

Under the relevant mainland China laws and regulations, none of our Company and the WFOE is legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, our Consolidated Affiliated Entities are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. The WFOE intends to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when deemed necessary. If our Consolidated Affiliated Entities suffer any losses or material difficulties of business, the WFOE may provide financial support as permitted under PRC laws at its discretion to our Consolidated Affiliated Entities under the terms of the Exclusive Business Cooperation Agreement. In addition, given that our Group conducts a substantial portion of its business operations in mainland China through our Consolidated Affiliated Entities, which hold the requisite mainland China operational licences 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 Exclusive Option Agreements, without the prior written consent of the WFOE, NewBornTown Mobile Technology shall not, among others, (i) sell, transfer, pledge or dispose of in any manner any of its assets; (ii) execute any material contract with a value above RMB100,000, except those entered into in the ordinary course of business; (iii) provide any loan; (iv) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business or not disclosed to and agreed by the WFOE in writing; (v) enter into any consolidation or merger with any third party, or acquire or invest in any third party; and (vi) increase or reduce its registered capital, or alter the structure of the registered capital in any other way. 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 NewBornTown Mobile Technology can be limited to a certain extent.

Liquidation

Pursuant to the Exclusive Business Cooperation Agreement, in the event of a liquidation or dissolution, NewBornTown Mobile Technology shall transfer all remaining asset to WFOE or to the extent permitted by the PRC laws.

Insurance

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

Our Confirmation

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

CONTRACTUAL ARRANGEMENTS

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company upon the Listing, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed “Continuing Connected Transactions” of this prospectus.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Adviser is of the opinion that the Contractual Arrangements are narrowly tailored to minimise the potential conflict with relevant PRC laws and regulations and that:

- (i) parties to each of the Contractual Arrangements have obtained all necessary approvals and authorizations to execute and perform the Contractual Arrangements;
- (ii) parties to each of the agreements 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” and void under Contract Law of the People’s Republic of China (《中華人民共和國合同法》) (“**China Contract Law**”);
- (iii) The Contractual Arrangements do not violate the provisions of the articles of associations (or partnership agreements) of WFOE and NewBornTown Mobile Technology;
- (iv) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorizations from the mainland China governmental authorities, except that:
 - (a) the exercise of the option by WFOE of its rights under the Exclusive Option Agreements to acquire all or part of the equity interests in NewBornTown Mobile Technology are subject to the approvals of, consent of, filing with and/or registrations with the mainland China governmental authorities;
 - (b) any share pledge contemplated under the Share Pledge Agreement are subject to the registration with competent 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 recognised by mainland China’s courts before compulsory enforcement;

CONTRACTUAL ARRANGEMENTS

- (v) each of the Contractual Arrangements is valid, legal and binding under the laws of mainland China, 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 Commission 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 NewBornTown Mobile Technology 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 mainland China (being the place of incorporation of NewBornTown Mobile Technology) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of NewBornTown Mobile Technology. However, our PRC Legal Adviser has 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 recognisable or enforceable in mainland China; and
 - (b) the Exclusive Business Cooperation Agreement provides that the shareholders of NewBornTown Mobile Technology shall undertake to appoint a committee designated by our WFOE, subject to applicable laws and regulations, as the liquidation committee upon the winding up of NewBornTown Mobile Technology to manage their assets. However, this provision does not apply in the event of a mandatory liquidation required by mainland China laws or bankruptcy liquidation.

On 11 April 2019, representatives of our Company, the Sole Sponsor and our PRC Legal Adviser consulted MIIT. The MIIT confirms that: (a) according to the business model as described by NewBornTown Mobile Technology and its subsidiary, the entities principally engage in the proprietary app traffic monetisation business, mobile advertising platform and related business, and the proprietary app traffic monetisation business falls within the scope of value-added telecommunications services and therefore it is necessary to obtain a value-added telecommunications business operating licence before operation; (b) a foreign investor of a foreign-invested telecommunications enterprise which operates value-added telecommunications business shall have good track-record and operational experience in the operation of value-added telecommunications business; and (c) the Contractual Arrangements do not fall within the regulatory scope of the MIIT, thus it will not raise objections or give regulatory opinions on such Contractual Arrangements. The MIIT will review the shareholding structure of the operating company in accordance with legal requirements. Among the companies that subject to its supervision, there have been no cases of penalties due to Contractual Arrangements.

CONTRACTUAL ARRANGEMENTS

Based on the above analysis and advice from our PRC Legal Adviser, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations, and except for the relevant arbitration clauses as described in “Dispute Resolution,” each of the agreements under the Contractual Arrangements is enforceable under the PRC laws and regulations. Our PRC Legal Adviser is of the view that the MIIT and its local counterparts, and the personnel consulted in the interview are competent and authorised to interpret the relevant laws, regulations and rules of the PRC for the industry in which our Company operates its business and make the abovementioned oral confirmations.

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 Economic and Trade Arbitration Commission made in 2010 and 2012 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 contravene the prohibition against “concealing an illegitimate purpose under the guise of legitimate acts” 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 (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual arrangements commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC and (ii) the incentive for the registered shareholders under such contractual arrangements to renege on their contractual obligations. Pursuant to Article 52 of the PRC Contract Law (《中華人民共和國合同法》), a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. Our PRC Legal Adviser is of the view that the relevant terms of the agreements under the Contractual Arrangements do not fall within the above five circumstances. In particular, our PRC Legal Adviser is of the view that the agreements under the Contractual Arrangements would not be deemed as “concealing illegal intentions with a lawful form” such that they also do not fall within circumstance (iv) above under Article 52 of the PRC Contract Law (《中華人民共和國合同法》) because the agreements under the Contractual Arrangements were not entered into for illegitimate purposes.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS AND CONSOLIDATION OF FINANCIAL RESULTS OF OUR CONSOLIDATED AFFILIATED ENTITIES

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by WFOE, NewBornTown Mobile Technology will pay services fees to WFOE. The services fees, subject to the WFOE’s adjustment, are equal to the entirety of the total consolidated profit of NewBornTown Mobile Technology (net of accumulated deficit of the Consolidated Affiliated Entities in the previous financial years (if

CONTRACTUAL ARRANGEMENTS

any), costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). WFOE may adjust the services scopes and fees at its discretion in accordance with PRC tax law and practice as well as the needs of the working capital of our Consolidated Affiliated Entities. WFOE also has the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities. Accordingly, the WFOE has the ability, at its sole discretion, to extract all of the economic benefit of NewBornTown Mobile Technology through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Business Cooperation Agreement and the Exclusive Option Agreement, the WFOE has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entities as WFOE's prior written consent is required before any distribution can be made. In the event that the PRC Equity Holders receive any profit distribution or dividend from our Consolidated Affiliated Entities, the PRC Equity Holders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to our Company.

As a result of these Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entities through WFOE and, at our Company's sole discretion, can receive all of the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements.

In this regard, our Directors consider that our Company can consolidate the financial results of our Consolidated Affiliated Entities into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in note 1 to the Accountant's Report in Appendix I to this document.

DEVELOPMENT IN LEGISLATION ON FOREIGN INVESTMENT IN MAINLAND CHINA

The 2015 Draft Foreign Investment Law

Background

MOFCOM published the 2015 Draft Foreign Investment Law in January 2015 for consultation purposes. 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 2015 Draft Foreign Investment Law, if enacted as proposed, may materially impact the entire legal framework regulating foreign investment in China.

CONTRACTUAL ARRANGEMENTS

Negative Catalogue

The 2015 Draft Foreign Investment Law stipulates restriction of foreign investment in certain industry sectors. The “Negative Catalogue” set out in the 2015 Draft Foreign Investment Law classified the relevant prohibited and restricted industries into the Catalogue of Prohibitions (禁止實施目錄) and the Catalogue of Restrictions (限制實施目錄), respectively. Foreign investors are not allowed to invest in any sector set out in the Catalogue 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 Catalogue of Prohibitions, unless otherwise specified by the State Council. Foreign investors are allowed to invest in sectors set out in the Catalogue of Restrictions provided that they fulfil certain conditions and apply for permission before making such investment. However, the 2015 Draft Foreign Investment Law does not specify the businesses to be included in the Catalogue of Prohibitions and the Catalogue of Restrictions.

Principle of “actual control”

Among other things, the 2015 Draft Foreign Investment Law purports to introduce the principle of “actual control” in determining whether a company is considered a foreign invested enterprise or foreign invested entity (“FIE”).

The 2015 Draft Foreign Investment Law specifically provides that entities established in China but “controlled” by foreign investors will be treated as FIEs, whereas an entity organised 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 “restricted category” on the “negative catalogue” to be issued, subject to the examination of the relevant authority in charge of foreign investment. For these purposes, “control” is broadly defined under Article 18 of the 2015 Draft Foreign Investment Law 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:
 - 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,
 - 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
 - having the voting power to exert material influence over decision-making bodies, such as the shareholders’ meeting or the board; or

CONTRACTUAL ARRANGEMENTS

- (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 2015 Draft Foreign Investment Law 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 2015 Draft Foreign Investment Law defines “actual controllers” as the natural persons or enterprises that directly or indirectly control foreign investors or foreign-invested enterprises.

If an entity is determined to be an FIE, and its investment amount exceeds certain thresholds or its business operation falls within a “negative catalogue” 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 2015 Draft Foreign Investment Law on VIE

The “variable interest entity” structure (the “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 NewBornTown Mobile Technology by WFOE, through which we operate the value-added telecommunications services business in the PRC.

According to the 2015 Draft Foreign Investment Law, 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 Catalogue of Restriction, when applying for access permission (准入許可) they may submit documentary evidence to apply for identification as an investment by PRC entities and/or citizens. However, our PRC Legal Adviser is of the view that the Contractual Arrangements will be deemed legitimate and effective if the ultimate controlling person(s) is/are of PRC nationality or they take other measures as required by applicable foreign investment laws (together with, if any, all subsequent amendments or updates, as promulgated) as finally enacted. Despite the content and the classification of the categories in the “negative catalogue” being unclear and unpredictable at this stage, we will take any reasonable measures and actions under applicable foreign investment laws (together with, if any, all subsequent amendments or updates, as promulgated) as finally enacted to minimise the adverse effect of such laws on the Contractual Arrangements.

The 2015 Draft Foreign Investment Law has not been enacted and our Contractual Arrangements were established before the enactment of the 2015 Draft Foreign Investment Law. Notwithstanding that the accompanying explanatory notes to the 2015 Draft Foreign Investment Law (the “Explanatory Notes”) do not provide a clear direction in dealing with VIE structures existing before the 2015 Draft Foreign Investment Law becomes effective, which (together with the 2015 Draft Foreign Investment Law) were still pending for further study as of the Latest Practicable Date, the Explanatory Notes contemplate three possible approaches in dealing with FIEs with existing VIE structures and conducting business in an industry falling in the “negative catalogue”:

CONTRACTUAL ARRANGEMENTS

- (i) requiring them to make a filing (申報) 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 (認定) by the competent authority, the VIE structures may be retained; and
- (iii) requiring them to apply to the competent authority for access permission (准入許可) 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 2015 Draft Foreign Investment Law and the Explanatory Notes) into consideration.

The three possible approaches above are set out in the Explanatory Notes 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 2015 Draft Foreign Investment Law 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 2015 Draft Foreign Investment Law 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 Catalogue of Prohibitions, make investments in sectors specified in the Catalogue of Restrictions without permission or violate the information reporting obligations specified therein, the penalty shall be imposed in accordance with Article 144 of (Investments in Sectors Specified in the Catalogue 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 2015 Draft Foreign Investment Law, as the case may be.

If foreign investors make investments in the sectors specified in the Catalogue of Prohibitions, the competent authorities for foreign investment in the province, autonomous region and/or municipality directly under the Central Government at the place where the

CONTRACTUAL ARRANGEMENTS

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 2015 Draft Foreign Investment Law, 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.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the 2015 Draft Foreign Investment Law, including failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, and if the circumstances are extremely serious, a fine shall be imposed on the foreign investors or foreign-invested enterprises and the directly responsible person-in-charge and other persons liable shall be sentenced to fixed-term imprisonment of not more than one year or criminal detention.

Status of promulgation of the 2015 Draft Foreign Investment Law

As at the Latest Practicable Date, there is no definite timeline when the 2015 Draft 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.

Potential impact of the Draft Foreign Investment Law on our Company

Whether our Company is controlled by mainland China entities and/or citizens

If the 2015 Draft Foreign Investment Law is promulgated in the current draft form, on the basis that (i) Mr. Liu Chunhe and Mr. Li Ping, each of which are PRC individuals are the founders of the Company, who is of Chinese nationality, will control an aggregate of 30.69% of voting rights of our Company upon completion of the Capitalisation Issue and the Global Offering and therefore complies with the second limb of the “control” requirement under the 2015 Draft Foreign Investment Law; (ii) our Company through the WFOE exercises effective control over our Consolidated Affiliated Entities pursuant to the Contractual Arrangements and can exert decisive influence on the PRC Operating Companies’ operations, financial, staffing and technology matters.

CONTRACTUAL ARRANGEMENTS

Whether the proprietary app traffic monetisation businesses are on the “catalogue of special administrative measures” to be issued by the State Council

If the operation of our proprietary app traffic monetisation businesses is not on the “catalogue of special administrative measures” and we can legally operate such business under mainland China Laws, the WFOE will exercise the call option under the Exclusive Option Agreements to acquire the equity interest of our Consolidated Affiliated Entities and unwind the Contractual Arrangements subject to re-approval by the relevant authorities.

If the operation of our proprietary app traffic monetisation businesses is on the “catalogue of special administrative measures,” depending on the definition of “control” that may be adopted in the foreign investment law as finally enacted and the treatment of VIE structures existing before the new foreign investment law becoming effective, the Contractual Arrangements may be regarded as prohibited or restricted foreign investment and therefore may be considered as invalid and illegal. As a result, we will not be able to operate our proprietary app traffic monetisation businesses through the Contractual Arrangements and would lose our rights to receive the economic benefits of our Consolidated Affiliated Entities. As such, the financial results of those entities would no longer be consolidated into our Group’s financial results and we would have to derecognise their assets and liabilities according to the relevant accounting standards. An investment loss would be recognised as a result of such de-recognition.

Our PRC Legal Adviser advised that assuming the 2015 Draft Foreign Investment Law will be promulgated in its current form to become the new law, based on the existing provisions and language of the 2015 Draft Foreign Investment Law, since each of the Founders, the actual controller of the Cayman Company, are a China mainland resident who has Chinese nationality, the onshore subsidiaries of the Cayman Company should be deemed as Chinese invested enterprises, and therefore the Contractual Arrangements will be considered as legitimate under the new law.

Foreign Investment Law

Background

On 23 December 2018, the 7th meeting of the 13th SCNPC reviewed the 2018 draft foreign investment law first submitted by the State Council, which was promulgated by the NPC on its official website on 26 December 2018 for public consultation until 24 February 2019, and further submitted the second draft of the 2018 draft foreign investment law to the NPC for deliberation on 29 January 2019. On 15 March 2019, the NPC adopted the Foreign Investment Law at the closing meeting of the second session of the 13th NPC. Upon taking effect on 1 January 2020, the Foreign Investment Law will replace the Law on Chinese-Foreign Equity Joint Ventures* (《中外合資經營企業法》), the Law on Chinese-Foreign Contractual Joint Ventures* (《中外合作經營企業法》) and the Law on Wholly Foreign-Owned Enterprises* (《外資企業法》) to become the legal foundation for foreign investment in the

CONTRACTUAL ARRANGEMENTS

PRC. However, there remain significant uncertainties about the relationship between the Foreign Investment Law and the 2015 Draft Foreign Investment Law because there are no relevant implementing rules or official explanation.

Impact and Potential Consequences of the Foreign Investment Law on our Contractual Arrangements

The Foreign Investment Law stipulates three forms of foreign investment, but does not mention concepts including “actual control” and “control over our PRC Operating Entities by PRC entities/citizens”, nor does it explicitly stipulate the contractual arrangements as a form of foreign investment. If the Foreign Investment Law becomes effective in the current form, and the then laws, regulations and rules do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be materially affected and will continue to be legal, valid and binding on the parties.

Furthermore, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council”. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. If the operation of the proprietary app traffic monetisation business is no longer falling in the scope that foreign investment is prohibited or certain conditions and permission of foreign investment access required under the Special Administrative Measures and we can legally operate the proprietary app traffic monetisation business under PRC laws, WFOE will exercise the call option under the Exclusive Option Agreements to acquire the equity interest of NewBornTown Mobile Technology and unwind the Contractual Arrangements subject to any then applicable approvals from the relevant authorities, and subject to any application or approval procedures by the relevant governmental authorities. If the operation of the proprietary app traffic monetisation business is falling in the scope that foreign investment is prohibited or certain conditions and permission of foreign investment access required under the Special Administrative Measures and the Foreign Investment Law is refined or deviates from the current form, depending on the treatment of the existing contractual arrangements, the Contractual Arrangements may be regarded as invalid and illegal. As a result, we would not be able to operate the proprietary app traffic monetisation business through the Contractual Arrangements and would lose our rights to receive the economic benefits of our PRC Operating Companies. As a result, the financial results of our PRC Operating Companies would no longer be consolidated into our Group’s financial results and we would have to derecognise their assets and liabilities according to the relevant accounting standards. If the Group does not receive any compensation, an investment loss would be recognised as a result of such de-recognition. In such case, the Stock Exchange may also consider our Company to be no longer suitable for Listing on the Stock Exchange. Therefore, there is no guarantee that the Contractual Arrangements and the business of PRC Operating Companies will not be materially and adversely affected in the future due to changes in PRC laws and regulations.

CONTRACTUAL ARRANGEMENTS

Nevertheless, considering that a number of existing entities engaged in the value-added telecommunications services, some of which have obtained listing status abroad, are operating under contractual arrangements, our Directors are of the view that there is little possibility, if the Foreign Investment Law becomes effective, that the relevant authorities will take retrospective effect to require the relevant enterprises to remove, or otherwise unwind their contractual arrangements.

The Foreign Investment Law defines the foreign investment as the investment activities conducted by foreign investors directly or indirectly in the PRC, and sets forth the situations that should be regarded as the foreign investment. Furthermore, the Foreign Investment Law stipulates that “foreign investment includes the investment made in the PRC by foreign investors through any other means under the laws, administrative regulations and provisions stipulated by the State Council.”

Our PRC Legal Adviser is of the view that since Contractual Arrangements are not specified as “foreign investments” under the Foreign Investment Law, if (i) there is no applicable law or regulation that explain “other means” of foreign investment under the Foreign Investment Law; or (ii) “other means” of foreign investment specified under applicable laws or regulations do not include contractual arrangement, it is unlikely that the Contractual Arrangements will be deemed as “foreign investments” under the Foreign Investment Law. Therefore, the Foreign Investment Law will not have a material impact on the Contractual Arrangements and each of the agreements under the Contractual Arrangements, and the legality and validity of the Contractual Arrangements would not be affected.

In view of the foregoing and the telephone interview on no-name basis conducted by our PRC Legal Adviser with the local counterpart of MOFCOM which advised that the Contractual Arrangements do not fall within the scope of “foreign investment” as stipulated in the Foreign Investment Law in its current form, our PRC Legal Adviser is of the view that the Contractual Arrangements will not be materially affected and will continue to be legal, valid and binding on the parties when the Foreign Investment Law becomes effective in its current form.

However, there are uncertainties regarding the Foreign Investment Law including, among others, the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our PRC Legal Adviser’s understanding, and there is still uncertainty whether any new PRC laws, rules or regulations relating to contractual arrangements will be adopted in the future.

Please refer to “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 to comply with the version of the Foreign Investment Law when it comes into force.

CONTRACTUAL ARRANGEMENTS

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) the powers of attorney are granted to the WFOE, and the related matters are decided by designated persons of the WFOE, including for instance Directors and their successors, and the power of attorney will not be exercised by officers or directors of the Company who are also the PRC Equity Holders to prevent any potential conflict of interest;
- (ii) 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;
- (iii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iv) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (v) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS GROUP

THE CONTROLLING SHAREHOLDERS GROUP

The Controlling Shareholders Group, namely Mr. Liu Chunhe and Mr. Li Ping, and their respective holding entities (including Spriver Tech Limited and Parallel World Limited), is a group of persons acting in concert with each other and is the controlling shareholder of our Company. In October 2015, Mr. Liu Chunhe, Mr. Li Ping, Mr. Ye Chunjian and Hande Houcheng entered into an acting in concert agreement (the “**2015 Acting in Concert Agreement**”), pursuant to which, Mr. Liu Chunhe, Mr. Li Ping, Mr. Ye Chunjian and Hande Houcheng agreed that they would act in concert in our Group with each other. Mr. Ye Chunjian decided to operate his own business and therefore, on 31 January 2017, Mr. Ye Chunjian resigned all of his positions in the Group except for director positions in NewBornTown Mobile Technology and NewBornTown Network Technology without taking part in daily management, and Mr. Liu Chunhe, Mr. Li Ping, Mr. Ye Chunjian and Hande Houcheng entered into an agreement to terminate the 2015 Acting in Concert Agreement. On the same date, Mr. Liu Chunhe, Mr. Li Ping and Hande Houcheng entered into a new acting in concert agreement (the “**2017 Acting in Concert Agreement**”), pursuant to which, Mr. Liu Chunhe, Mr. Li Ping and Hande Houcheng agreed that they would continue to act in concert in our Group with each other until the date when the 2017 Acting in Concert Agreement is terminated in writing by Mr. Liu Chunhe, Mr. Li Ping and Hande Houcheng. Pursuant to the 2017 Acting in Concert Agreement, as agreed upon by parties, in the event that Hande Houcheng ceases to be deemed as the employee shareholding platform, Hande Houcheng will automatically withdraw from the 2017 Acting in Concert Agreement, while the acting in concert arrangement between Mr. Liu Chunhe and Mr. Li Ping shall remain unaffected. The proposed share incentive plan contemplated under Hande Houcheng has not been adopted subsequently. As of the Latest Practicable Date, no share had been granted as incentive or rewards to any employee under the proposed share incentive plan of Hande Houcheng since its establishment. Therefore, Hande Houcheng is no longer a party of the 2017 Acting in Concert Agreement and shall not be deemed to be interested in all the Shares indirectly held by Mr. Liu Chunhe under the SFO. Mr. Ye Chunjian finally resigned as a director of NewBornTown Mobile Technology and NewBornTown Network Technology on 9 March 2018 and 13 May 2019, respectively.

After the Repurchases, the Controlling Shareholders Group was interested in approximately 35.52% of the total issued share capital of our Company. Immediately upon completion of the Capitalisation Issue and the Global Offering, the Controlling Shareholders Group will be interested in approximately 30.69% of the total issued share capital of our Company, comprising (i) Shares representing approximately 23.38% of the share capital of our Company held by Spriver Tech Limited, (ii) Shares representing approximately 7.31% of the share capital of our Company held by Parallel World Limited.

Since 1 January 2018 and up to the Latest Practicable Date, the Controlling Shareholders Group has been consistently interested in more than 30% of voting rights of the Group and therefore has constituted the controlling shareholder of our Group as defined under Rule 1.01 of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS GROUP

Competition

Each member of the Controlling Shareholders Group confirms that as of the Latest Practicable Date, he or it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS GROUP

Having considered the following factors, we believe that we are capable of carrying on our business independently from the Controlling Shareholders Group and their close associates after completion of the Global Offering:

Management Independence

Our daily operational and management decisions are made collectively by our Board and our senior management. Our Board consists of three executive Directors and three independent non-executive Directors. Mr. Liu Chunhe is our Chairman of the Board and Mr. Li Ping is an executive Director. Notwithstanding that Mr. Liu Chunhe and Mr. Li Ping are members of the Controlling Shareholders Group, our Directors are of the view that our Company is capable of maintaining management independence due to the following reasons:

- (1) Each of our Directors is aware of his fiduciary duties as a director of our Company which requires, 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.
- (2) 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.
- (3) Our Board has a balanced composition of executive Directors and independent non-executive Directors which ensures the independence of the Board in making decisions affecting our Company. Specifically, (a) our independent non-executive Directors are not associated with the Controlling Shareholders Group or their respective associates; (b) our independent non-executive Directors account for one half of the Board; and (c) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience, and will be able to provide professional and experienced advice to our Company. In conclusion, the Directors believe that our independent non-executive Directors are able to bring impartial and sound judgement to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS GROUP

- (4) We will establish corporate governance measures and adopt sufficient and effective control mechanisms to manage conflicts of interest, if any, between our Group and the Controlling Shareholders Group, which would support our independent management. See “– Corporate Governance Measures” in this section.

Having considered the above factors, our Directors are satisfied that they are able to perform their managerial roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders Group after the Listing.

Operational Independence

Our Group holds all the relevant material licences, qualifications and permits required for conducting our Group’s business. Our Group has sufficient capital, facilities and employees to operate our business independently from the Controlling Shareholders Group and their close associates. Our Group also has independent access to our clients. We have our own accounting and financial department, human resources and administration department and technology department (including research and development function). We have also established a set of internal control procedures and adopted corporate governance practices to facilitate the effective operation of our business.

We believe that we are capable of carrying on our business independently of the Controlling Shareholders Group and their respective close associates. Our Directors confirmed that our Group will be able to operate independently from the Controlling Shareholders Group and their respective close associates after the Listing.

Financial Independence

Our Group has an independent internal control, accounting and financial management system as well as an independent finance department which makes financial decisions according to our Group’s own business needs. Our Group’s accounting and finance functions are independent of the Controlling Shareholders Group.

Starting from August 2018, we established certain settlement arrangements with Mr. Liu Chunhe and Mr. Li Ping, who are members of the Controlling Shareholders Group. In order to consolidate and streamline our settlement processes, we have ceased all these settlement arrangements, and settled all outstanding amounts thereunder Mr. Liu Chunhe and Mr. Li Ping by 31 May 2019. In 2018 and the first five months of 2019, the payment involved in settlement arrangements with Mr. Liu Chunhe and Mr. Li Ping only represented a small part of our total revenue. See “Business – Certain Settlement Arrangements” for further details.

Based on the aforesaid, our Directors believe that we have the ability to conduct our business independently from the Controlling Shareholders Group and their respective close associates from a financial perspective and are able to maintain financial independence from the Controlling Shareholders Group and their respective close associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS GROUP

CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders Group:

- (a) Where a Shareholders' meeting is held for considering proposed transactions in which the Controlling Shareholders Group has a material interest, the Controlling Shareholders Group shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting.
- (b) Where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting.
- (c) In the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders Group, the Controlling Shareholders Group shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements.
- (d) Our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisers at our Company's cost as and when appropriate in accordance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.
- (e) Any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules.
- (f) We have appointed CMBC International Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance.

Based on above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders Group and/or other Directors to protect minority Shareholders' rights after Listing.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of agreements with our connected persons, the details of which are set out below. The transactions disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules after the Listing.

CONNECTED PERSONS

The table below sets forth the connected persons of our Company involved in the continuing connected transactions set out in this section and the nature of their connection with our Group:

<u>Connected Persons</u>	<u>Connected Relationship</u>
Mr. Liu Chunhe	an executive Director, chief executive officer and a member of the Controlling Shareholders Group of the Company
Mr. Li Ping	an executive Director, chief operating officer and a member of the Controlling Shareholders Group of the Company
Mr. Wang Kui	an executive Director, chief financial officer and a shareholder of the Company
Mr. Ye Chunjian	a director of NewBornTown Network Technology until 13 May 2019
Hande Houcheng	a limited partnership controlled by Mr. Liu Chunhe as a general partner
Phoenix Fortune	a limited partnership indirectly controlled by Mr. Du Li, in aggregate holding approximately 15.69% equity interests of the Company together with Mr. Du Li upon the Global Offering assuming the Over-allotment Options is not exercised
Mr. Du Li	a substantial shareholder of the Company, who also controls Phoenix Fortune, in aggregate holding approximately 15.69% equity interests of the Company upon the Global Offering

CONTINUING CONNECTED TRANSACTIONS

<u>Connected Persons</u>	<u>Connected Relationship</u>
Haitong Kaiyuan	a substantial shareholder of the Company, which also controls Haitong Xinxi, in aggregate holding approximately 13.98% equity interests of the Company together with Haitong Xinxi upon the Global Offering
Haitong Xinxi	a substantial shareholder of the Company controlled by Haitong Kaiyuan, in aggregate holding approximately 13.98% equity interests of the Company together with Haitong Kaiyuan upon the Global Offering
Plum Venture	a shareholder of our Company controlled by Mr. Wu Shichun, a director of NewBornTown Mobile Technology

For further details of the connected persons, see the section headed “History and Corporate Structure” in this prospectus.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below details of the non-exempted continuing connected transactions for our Group, which are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements

Background

As disclosed in the section headed “Contractual Arrangements”, due to regulatory restrictions on foreign ownership in the PRC, we conduct a portion of our business through our Consolidated Affiliated Entities in mainland China.

We do not hold any equity interests in our Consolidated Affiliated Entities. Rather, through the Contractual Arrangements, we effectively control these Consolidated Affiliated Entities and are able to derive substantially all of their economic benefits, and expect to continue to do so. The Contractual Arrangements among us, the WFOE, our Consolidated Affiliated Entities and the PRC Equity Holders enable us to (i) receive substantially all of the economic benefits from our Consolidated Affiliated Entities in consideration for the services provided by the WFOE; (ii) exercise effective control over our Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests and assets in our Consolidated Affiliated Entities when and to the extent permitted by PRC laws.

CONTINUING CONNECTED TRANSACTIONS

See the section headed “Contractual Arrangements” for details of the agreements comprising the Contractual Arrangements.

Listing Rule implications

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person,” the Consolidated Affiliated Entities will be treated as our Company’s wholly-owned subsidiary, and its directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as our Company’s “connected persons.”

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

Directors’ view

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operations, that such transactions have been and will be entered into in our ordinary and usual course of business, are on normal commercial terms or better and the terms are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

Our Directors also believe that our structure, whereby the financial results of the consolidated affiliated entities are consolidated into our financial statements as if they were our Company’s wholly-owned subsidiaries, and all the economic benefits of their business flows to our Group, places our Group in a special position in relation to the continuing connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

In addition, given the Contractual Arrangements were entered into prior to the Listing and are disclosed in this prospectus, and potential investors of our Company will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent Shareholders’ approval requirements in respect thereof immediately after Listing would add unnecessary administrative costs to our Company.

CONTINUING CONNECTED TRANSACTIONS

Waiver application

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 (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions.

(a) *No change without independent non-executive Directors' approval*

Save as described below, no change to the Contractual Arrangements (including with respect to any fees payable to WFOE thereunder) will be made without the approval of our independent non-executive Directors.

(b) *No change without independent Shareholders' approval*

Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, except for those described above, 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 will however continue to be applicable.

(c) *Economic benefits and flexibility*

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) our Group's options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in the Consolidated Affiliated Entities for RMB1 or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOE by the Consolidated Affiliated Entities under the Contractual Arrangements, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entities.

CONTINUING CONNECTED TRANSACTIONS

(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 the one hand, and the Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced without obtaining the approval of our Shareholders: (i) upon the expiry of the existing arrangements, (ii) in connection with any changes to the PRC Equity Holders or directors of the Consolidated Affiliated Entities, or (iii) in relation to any existing, newly established or acquired wholly foreign-owned enterprise or operating company (including branch company), engaging in a business similar or relating to those of our Group. Such renewal and/or reproduction is justified by business expediency. 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 Group and transactions between these connected persons and our Group 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.

Any renewed or reproduced framework will be on substantially the same terms and conditions as the existing Contractual Arrangements.

(e) *Ongoing reporting and approvals*

We will disclose details relating to the Contractual Arrangements on an on-going basis:

- the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the 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 (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities during the relevant financial period above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Shareholders as a whole;

CONTINUING CONNECTED TRANSACTIONS

- The Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to the Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of the Directors and have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group;
- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person," our Consolidated Affiliated Entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and its associates will be treated as connected persons of our Company as applicable under the Listing Rules (excluding for this purpose, the Consolidated Affiliated Entities), 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 the Shares are listed on the Stock Exchange, the 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 auditor's review of the continuing connected transactions.

If any terms of the Contractual Arrangements are altered or if our Group enters into any new agreements with any connected persons in the future, including any change to the terms of the RSU Schemes or any transactions entered into by the Group in relation to the RSU Schemes, our Group will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless our Group applies for and obtains a separate waiver from the Stock Exchange.

Sole Sponsor's View

The Sole Sponsor has reviewed the relevant documents and information provided by our Group, has participated in the due diligence and discussion with the management and the PRC Legal Adviser and has obtained necessary representations and confirmations from our Company and the Directors.

The Sole Sponsor is of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better and are fair and reasonable and in the interests of our Company and its Shareholders as a whole. With respect to the term of the relevant Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by WFOE, (ii) WFOE can obtain the economic benefits derived from the operation of the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented both on an uninterrupted basis.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board consists of six Directors, comprising three executive Directors and three independent non-executive Directors. The following table provides certain information about the Directors:

Name	Age	Position(s)	Date of joining the Group	Date of appointment as a Director	Roles and responsibilities
Mr. LIU Chunhe (劉春河)	34	Chairman, Chief Executive Officer and Executive Director	April 2011	12 September 2018	Responsible for overall strategic planning, management and decision-making
Mr. LI Ping (李平)	30	Chief Operating Officer and Executive Director	July 2011	22 June 2019	Responsible for overall operation and management of our business, a member of nomination committee
Mr. WANG Kui (王奎)	30	Chief Financial Officer and Executive Director	June 2015	22 June 2019	Responsible for financial affairs, investor relations, legal affairs and compliance, a member of remuneration committee
Mr. PAN Xiya (潘細亞)	62	Independent Non-executive Director	11 December 2019	11 December 2019 ⁽¹⁾	Providing independent advice and judgement to our Board, a member of audit committee, nomination committee and remuneration committee
Mr. CHI Shujin (池書進)	35	Independent Non-executive Director	11 December 2019	11 December 2019 ⁽¹⁾	Providing independent advice and judgement to our Board, a member of audit committee and nomination committee.
Mr. LIU Rong (劉榮)	37	Independent Non-executive Director	11 December 2019	11 December 2019 ⁽¹⁾	Providing independent advice and judgement to our Board, a member of remuneration committee

Note:

(1) Appointment effective upon Listing Date

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. LIU Chunhe (劉春河), former name Liu Zhonghua (劉中華), aged 34, is the founder of the Group. He currently serves as the Chairman of the Board, executive Director and the chief executive officer of our Company. He also holds directorships in various subsidiaries of our Company, including NewBornTown Mobile Technology, NewBornTown Network Technology, Shandong NewBornTown, Solo X Technology, Newborn Town International and Great Sailing. He is responsible for the overall management, strategies planning and decision-making of our Company. Mr. Liu Chunhe, as a member of the Controlling Shareholders Group, acts in concert with Mr. Li Ping, consisting of the controlling shareholder of our Company.

Mr. Liu Chunhe graduated from Shandong University (山東大學) majoring in electronic information science and technology and obtained his bachelor's degree in science in July 2007. In March 2010, he obtained his master's degree in communication and information system from Beijing University of Posts and Telecommunications (北京郵電大學).

Previously, he served as a director of Beijing Shineborn Internet Technology Co., Ltd. (北京相邦互動網絡技術有限公司) from March 2010 to October 2011 for the purpose of investment, and he did not participate in the daily operation and management. Beijing Shineborn Internet Technology Co., Ltd. is a company incorporated under the laws of PRC with limited liability on 24 March 2010, primarily engaged in the businesses of technology development, technical consultation and technical services. As this company voluntarily ceased its business operations and had remained dormant for over six months, its business licence was revoked on 9 October 2011. Mr. Liu Chunhe also served as the executive director and general manager of Guangzhou Jianji Internet Technology Co., Ltd. (廣州簡極網絡科技有限公司) from December 2015 to March 2018. Guangzhou Jianji Internet Technology Co., Ltd. is a company incorporated under the laws of PRC with limited liability on 23 December 2015, primarily engaged in the businesses of research and development of software and technical services, and was voluntarily deregistered on 29 March 2018. Mr. Liu Chunhe confirmed that these two companies were solvent at the time of revocation/deregistration, and he did not incur any debt and/or liabilities because of such revocation/deregistration.

Mr. LI Ping (李平), aged 30, is a co-founder, an executive Director and chief operating officer of our Company. He joined the Group in July 2011 and is responsible for overall operation and management of our business. Mr. Li Ping also holds directorships in NewBornTown Mobile Technology and Great Sailing. Mr. Li Ping, as a member of the Controlling Shareholders Group, acts in concert with Mr. Liu Chunhe, consisting of the controlling shareholder of our Company.

Mr. Li Ping obtained his bachelor's degree in engineering from Hebei Normal University of Science and Technology (河北科技師範學院) in June 2011.

Previously, he served as a supervisor of Guangzhou Jianji Internet Technology Co., Ltd. (廣州簡極網絡科技有限公司) from December 2015 to March 2018. Guangzhou Jianji Internet Technology Co., Ltd. is a company incorporated under the laws of PRC with limited liability

DIRECTORS AND SENIOR MANAGEMENT

on 23 December 2015, primarily engaged in the businesses of research and development of software and technical services, and was voluntarily deregistered on 29 March 2018. Mr. Li Ping confirmed that Guangzhou Jianji Internet Technology Co., Ltd. was solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration.

Mr. WANG Kui (王奎), aged 30, is an executive Director and chief financial officer of our Company. He joined our Group in June 2015 and is responsible for financial affairs, investor relations, legal affairs and compliance. Mr. Wang also holds directorship in NewBornTown Mobile Technology.

Prior to joining our Group, Mr. Wang Kui served as a risk management analyst of China International Capital Corporation Limited (中國國際金融股份有限公司) from July 2010 to July 2013, as a credit risk analyst of China International Capital Corporation (Hong Kong) Limited (中國國際金融(香港)有限公司) from July 2013 to December 2014, as the vice president of Credit Prosperity Fund Management Co., Ltd. (信業股權投資管理有限公司) from March 2015 to around June 2015.

Mr. Wang Kui obtained his bachelor's degree in economics from University of International Business and Economics (對外經濟貿易大學) in July 2010 and later obtained his master's degree in business administration from The University of Hong Kong (香港大學) in November 2015. Mr. Wang was accredited as a Financial Risk Manager by Global Association of Risk Professionals in April 2012 and as a Certified Management Accountant by The Institute of Certified Management Accountants in January 2018.

Independent non-executive Directors

Mr. PAN Xiya (潘細亞), aged 62, was appointed as an independent non-executive Director of our Company in December 2019 and effective upon Listing. He is responsible for providing independent advice and judgement to our Board. Mr. Pan has been the Chairman of the Board of Haibao Life Insurance Co., Ltd. (海保人壽保險股份有限公司) since August 2018. He has rich experience in strategic planning, financial operation, business expansion, risk management, compliance and internal control of banks and insurance companies.

Previously, he joined the General Office of Chongqing People's Congress (重慶市人民代表大會常務委員會) in March 1989 as a staff member, a senior staff member and then a principal staff member, joined the China Everbright Bank Co., Ltd. Chongqing Branch (中國光大銀行重慶分行) in February 1999 as the general manager and then the secretary of Commission for Discipline Inspection, joined the China Everbright Bank Co., Ltd. Heilongjiang Branch (中國光大銀行黑龍江分行) in June 2005 as a member of Party Committee, the vice president, the secretary of Party Committee and then the president, joined China Everbright Bank Co., Ltd. Chongqing Branch in February 2009 as the secretary of Party Committee and the president, joined the Everbright Financial Leasing Co., Ltd. (光大金融租賃股份有限公司) in December 2012 as the vice chairman of the Board of Supervisors, joined the Sun Life Everbright Life Insurance Co., Ltd. Guangdong Branch (光大永明人壽保險有限公司廣東分公司) in May 2013 as the general manager and joined Haibao Life Insurance Co., Ltd. in April 2017 as the leader of preparatory team.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Pan Xiya graduated from Sichuan College for Sanitary Management Officials (四川省衛生管理幹部學院) in June 1987 majoring in sanitary management, graduated from Sichuan International Studies University (四川外語學院) in July 1992 majoring in English and graduated from CPC Chongqing Party School (中共重慶市委黨校) in June 2000 majoring in regional economics.

Mr. CHI Shujin (池書進), aged 35, was appointed as an independent non-executive Director of our Company in December 2019 and effective upon Listing. He is responsible for providing independent advice and judgement to our Board. Mr. Chi Shujin is a director and the CFO of Beijing Siwei Zaowu Information Technology Holdings Co., Ltd. (北京思維造物信息科技股份有限公司) since September 2017.

Previously, he once worked for KPMG Huazhen CPA Co., Ltd. (畢馬威華振會計師事務所) from August 2007 to May 2010 and worked for CLA Partners Limited (北京弘松投資諮詢有限責任公司) as a project manager from June 2010 to September 2014. He served as the vice president of China Renaissance Holdings Limited (華興資本控股有限公司). He also served as the vice president of CRP-FANYA Investment Consultants (Beijing) Limited (華興泛亞投資顧問(北京)有限公司) from September 2014 to September 2017.

Mr. Chi Shujin graduated from Beijing Jiaotong University (北京交通大學) in July 2007 majoring in science.

Mr. LIU Rong (劉榮), aged 37, was appointed as an independent non-executive Director of our Company in December 2019 and effective upon Listing. He is responsible for providing independent advice and judgement to our Board. Mr. Liu Rong has been an executive director of Shanghai Beichuang Information Technology Co., Ltd. (上海北窗信息技術有限公司) since May 2015. He has rich experience in financial management, corporate governance and investment of high-tech enterprises.

Previously, he served as the board secretary and the director of Investor Relationship Department of Actions Semiconductor Co., Ltd. (炬力積體電路設計有限公司) from March 2006 to August 2009, and as the board secretary and CFO of HiTrend Technology (Shanghai) Co., Ltd. (鉅泉光電科技(上海)股份有限公司) from August 2009 to May 2015.

He also served as a supervisor of Chengdu Jiujiu Heli Used Car Distribution Co., Ltd. (成都九九合力二手車經銷有限公司) from October 2016 to February 2019. Chengdu Jiujiu Heli Used Car Distribution Co., Ltd. is a company incorporated under the laws of PRC with limited liability on 25 October 2016, primarily engaged in the businesses of used car distribution and car care, and was voluntarily deregistered on 14 February 2019. Mr. Liu Rong confirmed that this company was solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration.

Mr. Liu Rong graduated from Peking University (北京大學) in July 2003 majoring in financial management.

DIRECTORS AND SENIOR MANAGEMENT

Disclosure Required under Rule 13.51(2) of the Listing Rules

Save as disclosed above, none of our Directors:

- (i) had any other relationship with any Directors, senior management or the Controlling Shareholders Group of our Company as of the Latest Practicable Date; and
- (ii) held any other directorships in listed public companies in three years prior to the Latest Practicable Date and other major appointments and professional qualifications.

Save as disclosed in “Substantial Shareholders” and “Appendix IV – Statutory and General Information – D. Further Information about Our Directors, Management, Staff, Substantial Shareholders and Experts”, none of our Directors has any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company.

Each of our Directors has confirmed that none of them is engaged in, or interested in, any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business.

For information concerning our senior management who also serve as executive Directors, see “– Directors – Executive Directors” in this section. The senior management team, in addition to the executive Directors listed above, is as follows:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>	<u>Date of joining the Group</u>	<u>Roles and responsibilities</u>
Ms. LYU Xiaonan (呂曉楠)	38	Finance Director	February 2018	Responsible for the Group’s financial operations
Mr. HAN Tao (韓濤)	36	Product Director	December 2014	Responsible for overall product research and development

DIRECTORS AND SENIOR MANAGEMENT

Ms. LYU Xiaonan (呂曉楠), aged 38, has been the finance director of our Group since February 2018, primarily responsible for the Group's financial operations.

Prior to joining our Group, she served as an assurance manager of Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥)) from September 2007 to August 2014 and as a finance director of AirNet Internet Technology Group Co., Ltd. (航美在線網絡科技集團有限公司) from August 2014 to February 2018.

Ms. Lyu Xiaonan obtained her bachelor's degree in economics from Zhengzhou University (鄭州大學) in June 2003 and later received her master's degree in economics from Central University of Finance and Economics (中央財經大學) in June 2007. She was accredited as a Certified Public Accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 2013.

Mr. HAN Tao (韓濤), aged 36, has been the product director of our Group since December 2018, primarily responsible for overall product research and development and management of relevant department. He previously served as an Android app developer of the Group from December 2014.

Prior to joining our Group, he joined Beijing Kingsoft Internet Security Software Co., Ltd (北京金山安全軟件有限公司) as a wireless development engineer in April 2011.

Mr. Han Tao obtained his bachelor's degree in science from Peking University (Adult Higher Education) (北京大學) in January 2008.

JOINT COMPANY SECRETARY

Mr. SONG Pengliang (宋朋亮), aged 32, was appointed as our joint company secretary on 27 May 2019. He has been the senior investment manager of NewBornTown Network Technology since March 2018.

Prior to joining our Group, he worked at PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. Beijing Branch (普華永道諮詢(深圳)有限公司北京分公司) and PricewaterhouseCoopers Business Consulting (Shanghai) Co., Ltd. Beijing Branch (普華永道商務諮詢(上海)有限公司北京分公司) from October 2012 to around August 2015, during which he had worked as a senior consultant, and he worked at Minsheng Securities Co., Ltd. (民生證券股份有限公司) from August 2015 to around March 2018, during which he had worked as a manager.

Mr. Song obtained his bachelor's degree in engineering in July 2009 and master's degree in engineering in June 2012 from Beijing University of Technology (北京工業大學).

DIRECTORS AND SENIOR MANAGEMENT

Mr. AU-YEUNG Wai Ki, Joseph (歐陽偉基), aged 55, was appointed as our joint company secretary on 27 May 2019. He founded W. K. Au Yeung & Co. (歐陽偉基會計師事務所) in 1998.

Mr. AU-YEUNG Wai Ki, Joseph has been a member of the Hong Kong Institute of Certified Public Accountants (A08401) and a fellow member of the Association of Chartered Certified Accountants. He has more than 20 years of extensive professional experience in finance and accounting.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The remuneration of our Directors and senior management are paid in the form of salary, allowances, employee benefits, bonuses, fees and retirement benefits.

In 2016, 2017, 2018 and the six months ended 30 June 2019, the total remuneration paid to the Directors was RMB0.77 million, RMB1.71 million, RMB1.63 million and RMB0.78 million, respectively.

Under our arrangements currently in force, the total remuneration payable to the Directors in 2019 is estimated to be RMB1.56 million.

In 2016, 2017, 2018 and the six months ended 30 June 2019, the total compensation paid by the Group to the five highest-paid employees (including Directors) was RMB1.87 million, RMB2.81 million, RMB4.47 million and RMB2.34 million, respectively.

In 2016, 2017, 2018 and the six months ended 30 June 2019, the Group did not make any payment to any Director or the five highest-paid employees as the retirement compensation, severance package, incentive for or after joining the Company, or the remuneration for offering service for the promotion or incorporation of the Company. In addition, the Company has not signed any arrangement based on which the Directors waive or agree to waive their compensations during the relevant term of office.

For further details, please refer to the sections headed "Appendix I – Accountant's Report – II. Notes to the Historical Financial Information – 8 Employee Benefits Expense – 8a Five highest paid individuals" and "– 11 Benefits and Interests of Directors – (a) Executive director's and Independent non-executive director's emoluments".

In order to incentivize our Directors, senior management and other employees for their contribution to our Group and to retain suitable personnel in our Group, we adopted the RSU Schemes on 11 December 2019. For further details, see "E. – RSU Schemes" in Appendix IV to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE

The Company has adopted certain corporate governance measures in compliance with the CG Code. We aim to achieve a high standard of corporate governance, which is crucial to safeguard the interests of the Shareholders. To accomplish this, we expect to comply with the CG Code after the Listing. Each of our audit committee, remuneration committee and nomination committee is chaired by an independent non-executive Director, and comprises a majority of independent non-executive Directors.

Audit Committee

The Company established the Audit Committee on 11 December 2019 in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with code provision C.3.3 of the CG Code has been adopted. The primary roles of the Audit Committee include taking responsibilities for the communication between the Company and the external auditor and the supervision and examination on the external auditor, the regulation of internal auditor, the evaluation and optimisation of the Company's internal control and risk management systems, as well as the risk assessment on the Company's major investment projects. The Audit Committee consists of three members, namely, Mr. Pan Xiya, Mr. Liu Rong and Mr. Chi Shujin. Mr. Chi Shujin is the chairman of the Audit Committee and possesses the appropriate professional qualifications as required under Rule 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

The Company established the Remuneration Committee on 11 December 2019 in compliance with Rule 3.25 of the Listing Rules. Written terms of reference in compliance with code provision B.1.2 of the CG Code has been adopted. The primary roles of the Remuneration Committee include taking charge of reviewing and giving opinions and recommendations to the remuneration of the Directors and senior management; taking charging of formulating and reviewing the remuneration policies and proposals of the Directors and senior management, and supervising the implementation of relevant proposals. The Remuneration Committee consists of three members, namely, Mr. Liu Rong, Mr. Wang Kui and Mr. Pan Xiya. Mr. Liu Rong is the chairman of the Remuneration Committee.

Nomination Committee

The Company established the Nomination Committee on 11 December 2019 in compliance with code provision A.5.1 of the CG Code. Written terms of reference in compliance with code provision A.5.2 of the CG Code has been adopted. The primary roles of the Nomination Committee include setting up the procedures and standards on selecting Directors (including independent non-executive Directors), the general manager and other senior management members, conducting preliminary review on the qualifications and conditions of candidates and giving opinions and recommendations thereof to the Board. The Nomination Committee consists of three members, namely, Mr. Chi Shujin, Mr. Li Ping and Mr. Pan Xiya. Mr. Pan Xiya is the chairman of the Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

Chairman of the Board and Chief Executive

Pursuant to code provision A.2.1 of the CG 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 and Liu Chunhe currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Company and enables more effective and efficient overall strategic planning for the Company. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole. For further information relating to the Company's corporate governance measures, please see the section headed "Relationship with Controlling Shareholders Group – Corporate Governance Measures."

Board Diversity

We have adopted a board diversity policy which sets out the approach to achieve and maintain appropriate balance of diversity perspectives of our Board that are relevant to the Company's business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Due to the industry nature of our business and the prevailing male gender dominance in the industry, we recognise that the gender diversity at the Board level can be improved given its current composition of all-male Directors. Our nomination committee is responsible for ensuring the diversity of our Board members. Our Company confirms that our nomination committee will, within three years from the Listing, use its best efforts to identify and recommend one female candidate to our Board for its consideration on her appointment as a Director. In addition, our nomination committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose details of the implementation of gender diversity at the management levels of our Company in our corporate governance report on an annual basis.

DIRECTORS AND SENIOR MANAGEMENT

WAIVERS GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, waivers from strict compliance with the requirements under Rule 8.12 of the Listing Rules in relation to management presence in Hong Kong and under Rule 3.28 of the Listing Rules in relation to the qualification of company secretary. For details of the waivers, please refer to the sections headed “Waivers from Strict Compliance with the Listing Rules – Waiver in relation to Management Presence in Hong Kong” and “Waivers from Strict Compliance with the Listing Rules – Waiver in relation to Joint Company Secretaries” of this prospectus.

COMPLIANCE ADVISER

The Company has appointed CMBC International Capital Limited as the compliance adviser in compliance with Rules 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise us under the following circumstances:

- before the publication of any regulatory announcements, circulars or financial reports required by relevant competent authorities or regulations in Hong Kong;
- where a transaction, which might be a notifiable or connected transaction under Chapter 14 and Chapter 14A of the Listing Rules, is contemplated, including but not limited to share issuance and share repurchase;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, development or results deviate from any forecast, estimate or other information in this prospectus; and
- where pursuant to Rule 13.09 and Rule 13.10 of the Listing Rules, the Stock Exchange makes any inquiry of us regarding unusual movements in the price or trading volume of Shares of the Company, the possible false market or any other matters.

The term of the appointment of the compliance adviser shall commence on the Listing Date and end on the date when the Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date or until the agreement is terminated, whichever is earlier.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Global Offering, the following persons will have interests or short positions in the Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, 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:

Name	Nature of interest	Shares held as of the Latest Practicable Date ⁽¹⁾		Shares held upon the Global Offering ⁽¹⁾	
		Number	Approximate percentage	Number	Approximate percentage
Spriver Tech Limited ⁽²⁾	Beneficial owner ⁽²⁾	67,294,086	27.06%	233,806,646	23.38%
	Concert party ⁽³⁾	88,339,950	35.52%	306,928,420	30.69%
Mr. Liu Chunhe ⁽²⁾	Interest in a controlled corporation ⁽²⁾	67,294,086	27.06%	233,806,646	23.38%
	Concert party ⁽³⁾	88,339,950	35.52%	306,928,420	30.69%
Ms. Wu Xueli ⁽²⁾	Interest of spouse	67,294,086	27.06%	233,806,646	23.38%
	Concert party ⁽³⁾	88,339,950	35.52%	306,928,420	30.69%
Parallel World Limited ⁽⁴⁾	Beneficial owner ⁽⁴⁾	21,045,864	8.46%	73,121,774	7.31%
	Concert party ⁽³⁾	88,339,950	35.52%	306,928,420	30.69%
Mr. Li Ping ⁽⁴⁾	Interest in a controlled corporation ⁽⁴⁾	21,045,864	8.46%	73,121,774	7.31%
	Concert party ⁽³⁾	88,339,950	35.52%	306,928,420	30.69%
Ms. Zhuo Fengqin ⁽⁴⁾	Interest of spouse	21,045,864	8.46%	73,121,774	7.31%
	Concert party ⁽³⁾	88,339,950	35.52%	306,928,420	30.69%
Phoenix Auspicious FinTech Investment L.P. ⁽⁵⁾	Beneficial owner ⁽⁵⁾	25,676,640	10.33%	89,210,948	8.92%
Phoenix Wealth Investment (Holdings) Limited ⁽⁵⁾	Beneficial owner ⁽⁵⁾	19,481,355	7.83%	67,686,042	6.77%
Mr. Du Li ⁽⁵⁾	Interest in a controlled corporation ⁽⁵⁾	45,157,995	18.16%	156,896,990	15.69%
Haitong Kaiyuan ⁽⁶⁾	Beneficial owner ⁽⁶⁾	21,167,192	8.51%	73,543,316	7.35%
Haitong Kaiyuan ⁽⁶⁾	Interest in a controlled corporation ⁽⁶⁾	19,088,906	7.68%	66,322,516	6.63%
Haitong Xinxi ⁽⁶⁾	Beneficial owner ⁽⁶⁾	19,088,906	7.68%	66,322,516	6.63%
Haitong Securities ⁽⁶⁾	Interest in a controlled corporation ⁽⁶⁾	40,256,098	16.19%	139,865,832	13.98%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) All interests stated are long positions.
- (2) Spriver Tech Limited is directly and wholly owned by Mr. Liu Chunhe. Mr. Liu Chunhe is therefore deemed to be interested in all the Shares held by Spriver Tech Limited under the SFO. Ms. Wu Xueli is deemed to be interested in all the Shares held by Mr. Liu Chunhe, her spouse, under the SFO.
- (3) Mr. Liu Chunhe and Mr. Li Ping are parties acting in concert (having the meaning ascribed thereto in the Takeovers Code) and form part of the Controlling Shareholders Group. As such, each of Mr. Liu Chunhe, Spriver Tech Limited, Mr. Li Ping and Parallel World Limited is deemed to be interested in the Shares held by other members of the Controlling Shareholders Group under the SFO.
- (4) Parallel World Limited is directly and wholly owned by Mr. Li Ping. Mr. Li Ping is therefore deemed to be interested in all the Shares held by Parallel World Limited under the SFO. Ms. Zhuo Fengqin is deemed to be interested in all the Shares held by Mr. Li Ping, her spouse, under the SFO.
- (5) Phoenix Auspicious FinTech Investment L.P. is indirectly controlled by Mr. Du Li while Phoenix Wealth Investment (Holdings) Limited is wholly-owned by Mr. Du Li. Mr. Du Li is therefore deemed to be interested in all the Shares held by Phoenix Auspicious FinTech Investment L.P. and Phoenix Wealth Investment (Holdings) Limited under the SFO.
- (6) Haitong Kaiyuan is the general partner of Haitong Xinxi. Haitong Kaiyuan is therefore deemed to be interested in all the Shares held by Haitong Xinxi under the SFO. Haitong Kaiyuan is wholly owned by Haitong Securities. Haitong Securities is therefore deemed to be interested in all the Shares held by Haitong Kaiyuan and Haitong Xinxi under the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and Global Offering, have interests or short positions in Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of SFO or will be, 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.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after the completion of Capitalisation Issue and the Global Offering:

1. Prior to Capitalisation Issue and the Global Offering

	<u>Nominal Value</u> (US\$)
<i>Authorised share capital</i>	
361,321,497 ordinary Shares of US\$0.0001 each	36,132.1497
50,021,431 Series A Preferred Shares of US\$0.0001 each	5,002.1431
86,578,786 Series B Preferred Shares of US\$0.0001 each	8,657.8786
<u>2,078,286</u> Series C Preferred Shares of US\$0.0001 each	<u>207.8286</u>
<u>500,000,000</u> Total	<u>50,000.0000</u>
 <i>Issued and to be issued, fully paid or credited to be fully paid</i>	
128,123,134 ordinary Shares of US\$0.0001 each	12,812.3134
50,021,431 Series A Preferred Shares of US\$0.0001 each	5,002.1431
68,453,098 Series B Preferred Shares of US\$0.0001 each	6,845.3098
<u>2,078,286</u> Series C Preferred Shares of US\$0.0001 each	<u>207.8286</u>
<u>248,675,949</u> Total	<u>24,867.5949</u>

SHARE CAPITAL

2. Immediately following the completion of the Capitalisation Issue and the Global Offering

	<u>Nominal Value</u> (US\$)
<i>Authorised share capital</i>	
3,000,000,000 ordinary Shares of US\$0.0001 each	300,000
<i>Issued and to be issued, fully paid or credited to be fully paid</i>	
248,675,949 Shares in issue	24,867.5949
615,324,051 Shares to be issued pursuant to the Capitalisation Issue	61,532.4051
136,000,000 Shares to be issued pursuant to the Global Offering	13,600
<hr/>	<hr/>
<u>1,000,000,000</u> Total	<u>100,000</u>

ASSUMPTIONS

The above table assumes that the Global Offering become unconditional and is completed in accordance with the relevant terms and conditions and that the Shares are issued pursuant to the Capitalisation Issue and the Global Offering. The above table does not take into account: (i) any Shares which may be allotted and issued pursuant to the issue mandate (as described below); or (ii) any Shares which may be repurchased by the Company pursuant to the repurchase mandate (as described below).

RANKING

Our Shares are ordinary shares in our share capital and rank *pari passu* with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of issue of such Share.

ISSUE MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted by the Shareholders a general and 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 number of Shares in issue and to be issued immediately following completion of the Global Offering; and

SHARE CAPITAL

- the aggregate number of Shares repurchased by us (if any) pursuant to the repurchase mandate as referred to below.

The issue mandate will expire at the earliest of:

- the conclusion of the Company's next annual general meeting;
- the expiration of the period within which the Company is required by the applicable laws or the Articles of Association to hold our next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

For more information on this issue mandate, see "Appendix IV – Statutory and General Information – A. Further Information about our Group – 4. Resolutions of our Shareholders dated 11 December 2019" in this prospectus.

REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted by the Shareholders a general mandate to exercise all the powers of the Company to repurchase not more than 10% of the aggregate number of Shares in issue and to be issued immediately following the completion of the Global Offering.

The repurchase mandate only relates to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and which are in accordance with the Listing Rules and all other applicable laws, regulations and rules.

The repurchase mandate will expire at the earliest of:

- the conclusion of the Company's next annual general meeting;
- the expiration of the period within which the Company is required by the applicable laws or the Articles of Association to hold our next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

For more information on this repurchase mandate, see "Appendix IV – Statutory and General Information – B. Purchase By The Company Of Its Own Securities" in this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of Cayman Companies Law, an exempted company is not required by law to hold any general meetings or class meetings on an annual or regular basis. The holding of a general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in “Appendix III – Summary of the Constitution of the Company and Cayman Islands Company Law” in this prospectus.

The Company has only one class of Shares, namely ordinary Shares, each of which ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and the Articles of Association, the Company may from time to time by ordinary resolutions of Shareholders (i) increase its share capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, the Company may, subject to the provisions of the Cayman Companies Law, reduce the share capital or capital redemption reserve by our Shareholders passing a special resolution. For more information, see “Appendix III – Summary of the Constitution of the Company and Cayman Islands Company Law” in this prospectus.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and the Articles of Association, all or any of the special rights attached to the Shares or any class of shares may 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. For more information, see “Appendix III – Summary of the Constitution of the Company and Cayman Islands Company Law” in this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our audited consolidated financial statements included in “Appendix I – Accountant’s Report” to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountant’s Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see “Forward-looking Statements” and “Risk Factors.”

OVERVIEW

We are a fast-growing mobile app developer and mobile advertising platform services provider based on AI technologies. We generate revenue mainly from the traffic monetisation of our self-developed mobile apps and the provision of mobile advertising services to advertisers as an ad agency through our proprietary advertising platform.

Our history can be traced back to 2011, when our founder Mr. Liu Chunhe started his business as a mobile app developer. In May 2013, we launched our first mobile app Solo Launcher, which serves as a user interface for Android device users and was designed to provide a simpler and faster user experience with their devices. Solo Launcher achieved a certain degree of popularity in different parts of the world and remained one of our core products for attracting mobile device users as of the Latest Practicable Date. By 31 December 2018, it had achieved daily ranking No. 1 by downloads at least once in the “personalisation apps” category of Google Play in 89 countries and regions such as France, Israel, Singapore and Brazil according to the iResearch Report.

Based on the popularity of Solo Launcher, we developed more mobile device utilities apps such as screen locker, antivirus and battery management apps. In 2017 we started to launch mobile apps in other categories such as media & entertainment, fitness and games, thereby forming an app matrix later named “Solo X”. By 30 June 2019, we had attracted more than 796.8 million global users in terms of device ID to our apps cumulatively. While all our utilities apps are built on, and operate only in, the Android system, our other apps also include iOS apps. During the Track Record Period, all our apps were offered for free download in online app stores such as Google Play and App Store. We generate revenue from our apps mainly by way of selling in-app ad spaces to advertisers, thereby monetising the online traffic generated by our apps.

FINANCIAL INFORMATION

We have developed our own AI engine named “Solo Aware”, which features big data analytics and machine learning technologies. Solo Aware collects a large amount of data from both our Solo X product matrix and our Solo Math advertising platform. It analyses such data and generate insights into mobile device users and advertisers. This allows us to upgrade our apps to optimise user experience in our proprietary app traffic monetisation business on the one hand, and to achieve precision targeting of matching users for ad delivery in our provision of mobile advertising platform services on the other hand. The aggregation of data from both of our business lines allows us to achieve a deeper understanding of mobile device users through cross-referencing the two data sets, thereby generating a synergy effect of our two business lines.

We develop a variety of mobile apps to acquire users and offer them to mobile device users free-of-charge in exchange for mobile traffic that we monetise by selling in-app ad spaces to advertisers. We provide wide-ranging and diversified apps to mobile device users to achieve a smooth and customised user experience covering diverse mobile usage scenarios. We organise our Solo X products into four sub-matrices, namely User System, Fitness, Media & Entertainment and Games. We have developed various apps in each sub-matrix to create a tailored experience for the users’ specific needs. We engage our users and improve user experience through our portfolio of popular apps, frequent content updates and optimisation with the support of our AI technologies. Our apps have attracted mobile users from more than 200 countries and regions, mainly in Asia, Americas and Europe.

We carry out our proprietary app traffic monetisation through the following steps: (i) we collect and analyse the data from app stores and other third-party mobile app analytics platforms to gain insights into the trends and developments in the global app market; (ii) we develop an app and promote it by in-app cross promotion within our Solo X product matrix and also by marketing our brand, products and services globally to mobile internet users primarily through top global internet companies acting as ad agencies; and (iii) we monetise the traffic generated by such app mainly through mobile advertising. We sell ad spaces within such app to third party advertisers, whose ads are presented in such app to its users. We charge our advertisers by the number of impressions of the ads delivered, meaning the number of times such ads have been viewed by or displayed to mobile device users. Our revenue from proprietary app traffic monetisation increased from RMB23.9 million in 2016 to RMB92.9 million in 2018, representing a CAGR of 97.2%, and increased from RMB36.8 million in the first half of 2018 to RMB114.5 million in the first half of 2019.

In addition to monetising our own apps through the sale of in-app ad spaces, we serve as an ad agency and provide mobile traffic acquisition services to advertisers through our proprietary programmatic mobile advertising platform Solo Math. As we purchase ad inventories from publishers for resale to advertisers through Solo Math, we are effectively also providing a monetisation service to publishers, in that they can use Solo Math to sell their in-app ad spaces, although we do not charge publishers directly for such service. The programmatic mobile advertising industry value chain includes four types of key modules, namely the demand side platforms, supply side platforms, ad exchanges and ad networks, while Solo Math has all of these four modules. Our Solo Math functions like an AI-powered

FINANCIAL INFORMATION

supermarket of mobile and online ad spaces, or “ad inventories”. Publishers place their ad inventories in the supermarket, advertisers bid for the ad inventories that meet their ad campaign parameters and specific marketing demands and Solo Math employs automated procedures to settle the transactions. The key functions of Solo Math are aggregating ad inventories from publishers and matching them with advertisers’ demand by employing a central ad server to deliver and present ads to internet users, which enables targeting, tracking and reporting of impressions or actions. Our revenue from programmatic advertising and related business increased rapidly from RMB58.5 million in 2016 to RMB172.8 million in 2018, representing a CAGR of 71.9%, and slightly decreased from RMB73.4 million in the first half of 2018 to RMB69.8 million in the first half of 2019 mainly due to a decrease in the revenue generated via the SP module, which was partially offset by an increase in the revenue generated via the SAX module. Consistent with industry norm according to iResearch, SP as an ad network mainly connects small- and medium-sized publishers to the best of our Directors’ knowledge. Our Directors believe that our advertisers reduced their advertising spending via the SP module in the first half of 2019 in view of uncertainties in the global and local economies. Subsequent to the Track Record Period and up to 31 October 2019, the revenue generated via both SP and SAX recorded increases compared with the same period in 2018 based on our unaudited management accounts.

Benefiting from the rapid growth of the programmatic mobile advertising business during the Track Record Period and a significant growth of our mobile app monetisation in 2018, our total revenues increased from RMB136.9 million in 2016 to RMB276.7 million in 2018, representing a CAGR of 42.2%, and our total revenue increased from RMB116.7 million in the six months ended 30 June 2018 to RMB184.4 million in the six months ended 30 June 2019; our gross profit increased from RMB70.9 million in 2016 to RMB141.4 million in 2018, representing a CAGR of 41.2%, and our gross profit increased from RMB56.4 million in the six months ended 30 June 2018 to RMB122.9 million in the six months ended 30 June 2019.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 12 September 2018, as an exempted company with limited liability under the Cayman Companies Law. Our Group are principally engaged in providing internet-based advertising and related service (the “**Listing Business**”) worldwide. In preparation of the Listing, we underwent a Reorganisation to rationalise our corporate structure. See “History and Corporate Structure” and “Contractual Arrangements”. Prior to the incorporation of our Company and the completion of the Reorganisation, the Listing Business was carried out by NewBornTown Mobile Technology through its subsidiary NewBornTown Network Technology. Upon the completion of the Reorganisation, we have controlled NewBornTown Mobile Technology through the Contractual Arrangements. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and majority of owners of the Listing Business remained the same. Accordingly, our Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under NewBornTown Mobile Technology.

FINANCIAL INFORMATION

The consolidated Historical Financial Information has been prepared on a consolidated basis and is presented using the carrying values of the Listing Business under NewBornTown Mobile Technology for all periods presented.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe our results of operations have been, and will continue to be, affected by a number of major factors, including:

Growth of the Mobile Internet Industry

The growth of our business has been in part driven by the overall growth of the mobile internet industry. According to the iResearch Report, global total mobile advertising spending and its proportion of total media advertising spending have witnessed significant growth in recent years. For the years ended 31 December 2016, 2017 and 2018, our revenues generated from mobile advertising platform and related services and mobile apps traffic monetisation reached RMB136.9 million, RMB181.8 million and RMB276.7 million, respectively. For the six months ended 30 June 2018 and 2019, our revenues generated from mobile advertising platform and related services and mobile apps traffic monetisation was RMB116.7 million and RMB184.4 million, respectively. According to the iResearch Report, the total mobile advertising spending will continue its growth and we believe it will continue to increase demand for our services. However, if the mobile internet industry develops or grows more slowly than expected, our historical growth may not be indicative of our future performance.

Advertiser Base and Mobile Advertising Spending of Advertisers

Our results of operations are affected by the quality, size and diversity of our advertiser base and the spending of each advertiser. We believe the size, diversity and quality of our advertiser base has enabled us to grow our revenues and position us for continued sustainable growth. Additionally, our advertiser base is diversified geographically and by app type. As of 30 June 2019, based on the Company's internal records, our advertiser base covered 30 countries and regions globally and comprises a variety of app developers, including those for game, content and social, e-commerce and fitness apps.

Our results of operations are affected by the growth and mix of our advertiser base and the spending of each advertiser. The growth of our revenue depends on our ability to continue to expand our advertiser base and our ability to attract them to allocate more advertising budgets with us. Our advertiser base grew significantly in recent years as we continually enhance the effectiveness of our advertising service and improve advertisers' return on investments. As a result, our mobile advertising platform and related business revenue grew from RMB113.0 million in 2016 to RMB154.2 million in 2017 and further increase to RMB183.8 million in 2018. Our mobile advertising platform and related business revenue decreased slightly from RMB79.9 million for the six months ended 30 June 2018 to RMB69.9 million for the six months ended 30 June 2019, mainly due to the further reduction of our media buy business.

FINANCIAL INFORMATION

Reducing Size of our Media Buy Business

Our media buy business made a substantial contribution to our revenue and gross profit during the year ended 31 December 2016. We started to reduce our media buy business from 2017 due to its reducing margin and long receivable turnover days. Consequently, our revenue, gross profit and gross profit margin of mobile advertising platform and related business have been affected. Following our technology and innovation oriented development strategy, we will further reduce our media buy business and focus on the development our programmatic advertising platform and related business. See “Business – Business Operations – Mobile Advertising Platform Services – Media Buy Service”.

Seasonality

Our business and results of operations are subject to seasonal fluctuations. For example, the fourth quarter of each calendar year generally contributes the largest portion of our annual revenue as advertisers tend to allocate a significant portion of their online marketing budgets in that quarter, which coincides with consumers’ increased purchases around the holidays and shopping events in that quarter. By contrast, the first quarter of each calendar year generally contributes a smaller portion of our annual revenue, primarily due to a lower level of allocation of online marketing budgets by advertisers at the beginning of the calendar.

Abilities to Maintain and Further Expand Our User Base

Our business depends on our ability to monetise our large and active user base without compromising users’ experience. We continually seek to leverage our proprietary insights into our users’ behaviour and preferences to maintain our active user base. We also market Solo X product matrix on major media publisher’s platform to further expand our user base. During the Track Record Period, the cost for advertising placement related to marketing our proprietary products was RMB9.4 million, RMB31.9 million and RMB65.9 million for the years ended 31 December 2016, 2017 and 2018, respectively. For the six months ended 30 June 2018 and 2019, the cost for advertising placement related to marketing our proprietary products was RMB22.3 million and RMB51.2 million, respectively. We plan to continue to develop our Solo X matrix to anticipate and meet the evolving needs of our users and implement effective monetisation strategies to create value for our advertisers and ourselves.

Growth in and Relationship with Media Publishers

We secure advertising space from media publishers for us to deliver advertisements of our customers which ultimately drive our revenues. Our results of operation are also affected by the types of media publishers that utilise our monetisation services, the ad inventory available from such publishers and the expansion of our media publisher network. In order to gain access to publishers and their ad inventories, our monetisation services must effectively enable publishers search for appropriate ad contents to match their ad inventories. Therefore, the ability to effectively meet publishers’ monetisation needs and further expand our inventory of advertising space are essential for us to grow our business and provide services to advertisers.

FINANCIAL INFORMATION

Technology Capabilities and Innovation

Our results of operations depend upon our technology capabilities and innovation. For our mobile advertising platform and related services, our ability to develop and apply improved technologies directly affects our ability to achieve better user acquisition performance for our advertisers' ads and greater monetisation efficiency for our media publishers, and in turn generate revenues from our mobile advertising platform and related services. We expect that our future technological improvements on Solo Math and Solo Aware will increase our ability to precisely targeting our advertising and continue to drive our revenue growth.

Additionally, we constantly seek to expand our Solo X products offerings through updates and new releases, to enrich our users' experience and cater to their evolving needs and requirements. We are dedicated to investing in research and development to continuously improve our technology. For the years ended 31 December 2016, 2017 and 2018, our total research and development expenses amounted to RMB2.6 million, RMB11.5 million and RMB17.5 million, respectively. For the six months ended 30 June 2018 and 2019, our total research and development expenses was RMB8.8 million and RMB9.5 million, respectively. Our research and development expenses during the Track Record Period focussed primarily on the development of our Solo X Matrix, Solo Math platform and Solo Aware.

Preferential Tax Treatment

Our income tax was affected by the preferential tax treatment enjoyed by certain of our PRC operating companies. According to the applicable EIT law, NewBornTown Network Technology was approved as a High and New Technology Enterprise and entitled to a preferential income tax rate of 15% commencing from 2017. In addition, as an enterprise engaging in research and development activities, NewBornTown Network Technology was entitled to claim 150% of its research and development expenses incurred as tax deductible expenses when determining its assessable profits (“**Super Deduction**”) for the year of 2017. From 1 January 2018 to 31 December 2020, NewBornTown Network Technology would be subject to a Super Deduction rate of 175% accordingly to applicable laws and regulations.

Shandong NewBornTown was qualified as a software enterprise under the relevant PRC laws and regulations in 2019. Accordingly, Shandong NewBornTown is exempt from enterprise income tax for the year of 2018 and 2019, followed by a 50% reduction in applicable tax rates for the three years ended 31 December 2020, 2021 and 2022. As a result, our effective income tax rate, calculated by dividing total income tax expenses by profit before income tax expense, was 26.4%, 13.0% and 12.9% for the year ended 31 December 2016, 2017 and 2018, respectively. Our effective tax rate increased from 13.1% for the six months ended 30 June 2018 to 42.8% for the six months ended 30 June 2019, primarily because the share-based compensation expense of RMB36.8 million for the six months ended 30 June 2019 were non-deductible for tax purpose.

FINANCIAL INFORMATION

Impact of Exchange Rates

Our revenues during the Track Record Period was mainly dominated in other currencies, in particular the U.S. dollar. In the event that Renminbi depreciates against the U.S. dollar, we would recognise an exchange gain in our consolidated statements of comprehensive income for the relevant period and vice versa. Our profitability during the Track Record Period was affected by exchange rate changes. See “– Description of Major Components of Our Results of Operations – Other Gain – Net” for details. We expect that our revenues will continuously be mainly dominated by U.S. dollars after the Listing. As a result, our profitability will continue to be affected by fluctuations in exchange rates.

Strategic Investments and Acquisitions

We may enter into strategic investments or acquisitions with a view to expanding our product offerings, entering into new verticals, strengthening our technological and research and development capabilities and investing in other business sectors which are complementary to our existing operations. Such investments and acquisitions can have a direct impact on our results of operations and financial condition, depending on the amount involved and the subsequent performance of the businesses in which we invest or which we acquire. For example, we invested in Beijing Duanji for a consideration of RMB17.9 million in May 2016 and invested in Mico, the company Beijing Duanji merged into in May 2017, for a consideration of RMB100.0 million in March 2019. We held an equity interest of 16.77% in Mico as of the Latest Practicable Date. For further information, see “Business – Our Strategic Investment”. As such, our ability to identify key strategic investments or acquisition targets may affect the future growth and direction of our business.

CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and judgements related to accounting items. Our management continually evaluates such estimates and judgements based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates. There had not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Our significant accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in details in Notes 2 and 4 to the Accountant’s Report included in Appendix I to this prospectus. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our financial statements.

FINANCIAL INFORMATION

Revenue Recognition

Our revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue from providing services is recognised in the accounting period in which the services are rendered. Amounts collected in excess of revenue recognised are included as contract liabilities.

(i) Mobile advertising platform and related business

We generate revenue from providing comprehensive advertisement placement services to the advertisers. The revenue is recognised once we performed agreed actions. Before determining whether the revenue should be recognised on gross or net basis, we assess if we control the specified service before it is transferred to the customer. We follow the accounting guidance for principal-agent considerations to assess whether we control the specified service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer or after transfer of control to the customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service.

In most transactions, we act as the principal of these transactions and therefore report revenue earned and costs incurred on a gross basis due to the following reasons:

- (a) we are the primary obligor for providing comprehensive advertisement placement services by contracting directly with the advertisers, creating the advertisements and determining which media publishers or network marketing alliance to use and what types of the advertisements to be placed. We take the responsibility for fulfilment of the marketing targets by delivering the specified services to the advertisers.
- (b) we take certain inventory risk by purchasing the advertising spaces in advance or committing the minimum purchase from the publishers. We also take the risk of loss in some instances that the cost paid to the publishers cannot be compensated by the consideration obtained from the advertisers.
- (c) We have the discretion on the pricing mechanism of the transactions separately with its customers and suppliers and performs all billing and collection activities, including retaining credit risk.

In certain transactions, namely, our media buy business, the advertisers would designate the targeted publishers in the contract. We take no responsibility on the marketing targets and no risk on inventory, but only take credit risk. We play as an agent in these transactions, therefore, the revenue is recognised on a net basis by deducting the costs to the media publishers from the revenue from the advertisers. The revenue is normally billed on monthly

FINANCIAL INFORMATION

basis and a receivable is expected to be collected within the contracted credit term. For the transactions which we play as the agent, we bill the customers in gross amounts and with credit terms, which are different from the bills from suppliers.

Considering we have no legally enforceable right to set off the bill from the supplier against the bill to the customer, we record the payable and the receivable on gross basis.

(ii) Mobile apps development business

We generate revenue from our proprietary mobile apps mainly through providing advertising spaces to advertisers or their agencies for traffic monetisation. The revenue for providing advertising spaces is recognised once the control of the spaces is transferred to the advertisers. The revenue is normally billed on monthly basis and a receivable is expected to be collected within the contracted credit term.

Impairment of Accounts Receivable

We follow the guidance of IFRS 9 to determine when accounts receivable and other financial assets are impaired. This determination requires significant judgement and estimation. In making this judgement and estimation, we evaluate, among other factors, the duration of accounts receivable, the financial health and collection history of debtors and expected future change of credit risks, including the consideration of factors such as general economy measure, changes in macroeconomic indicators.

Intangible Assets

Initial Recognition

The intangible assets include goodwill. Software is initially recognised and measured at costs incurred to acquire and bring it to use.

(i) Goodwill

Goodwill is measured as described in Note 2.4 of the Accountant's Report set out in Appendix I to this prospectus. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

FINANCIAL INFORMATION

(ii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Amortisation Methods and Periods

We amortise intangible assets with an estimated useful life using the straight-line method. The estimated useful life of our software is 3 to 10 years.

Financial Assets Measured at FVPL

At initial recognition, we measure a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gain – net in the period in which it arises.

FINANCIAL INFORMATION

We subsequently measure all equity investments at fair value. Where our management has elected to present fair value gains and losses on equity investments in FVOCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when our right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gain – net in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial assets are written off when we are satisfied that recovery is remote. Where loans or receivables have been written off, we continue to attempt to recover the receivable due. Where recoveries are made, the recovered amount is recognised in profit or loss.

During the Track Record Period, our investment in wealth management products and equity interest in private companies, substantially Mico and Beijing Amber Creative, were designated as financial assets measured at FVPL, and the fair values of the such assets are set out in Note 18 to the Accountant’s Report in Appendix I. As these instruments are not traded in an active market, their fair value have been determined by using various applicable valuation techniques, such as income approach and market approach. The details of fair value measurement and the significant unobservable inputs are set out in Note 3.3 of the Accountant Report in Appendix I to this prospectus.

The valuation of wealth management products we invested in was performed by our management, who in the view of our Directors, have sufficient experience and expertise. The valuation of wealth management products was determined based on cash flow discounted assuming the expected return will be obtained upon maturity. Our Directors consider the level of estimation and judgement required is limited and the calculations involved are not complex given the valuation is based on a small number of individual cash flows. As such, our Directors consider that the management possess sufficient experience and expertise to perform the valuation internally.

We have engaged a qualified professional valuer, independent from our Group, to assess the fair value of the equity interests in Mico and Beijing Amber Creative in accordance with the International Valuation Standards issued by the International Valuation Standards Council. Our Directors provided the valuer with all material information likely to affect the valuation, which mainly included the private companies’ financial performance and forecasts and business plans and the terms of the equity investments, and discussed with the valuer on relevant assumptions. Our Directors carefully considered all information especially those non-market related information inputs, such as possibilities under different scenarios, time to liquidation and discount for lack of marketability, which require management assessments and

FINANCIAL INFORMATION

estimates, and reviewed the valuation working papers and results prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of financial assets measured at FVPL, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in Note 3.3 of the Accountants' Report issued by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in Appendix I. The Reporting Accountants' opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on I-2 of Appendix I.

In respect of the valuation analysis performed by our Directors and the valuer on financial assets measured at FVPL categorised within level 3 of fair value measurements under the fair value hierarchy, the Sole Sponsor conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountants' Report as set out in Appendix I and relevant documents provided by valuer; and (ii) discussed with the Directors, the Reporting Accountants and the valuer, when appropriate, about the key basis and assumptions for the valuation of financial assets measured at FVPL. Having considered the work done by the Directors and Reporting Accountants and the relevant due diligence done as stated above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed by the Directors and the valuer, when appropriate, on the financial assets measured at FVPL.

Convertible Redeemable Preferred Shares

The convertible redeemable preferred shares are redeemable upon occurrence of certain future events and at the option of the holders. This instrument can be automatically converted into ordinary shares upon occurrence of the Global Offering.

We designated the convertible redeemable preferred shares as financial liabilities at FVPL. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in the consolidated statements of comprehensive income. Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognised in the consolidated statements of comprehensive income, except for fair value changes related to the changes in our own credit risk, which are presented separately in OCI.

FINANCIAL INFORMATION

Current and Deferred Income Tax

We are subject to income taxes in different areas. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

Adoption of IFRS 9 and IFRS 16

IFRS 9, replaces IAS 39, “Financial instruments: recognition and measurement.” It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. During the Track Record Period, we consistently applied all new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2019.

IFRS 16, “Lease” replaces the previous standards IAS 17 “Leases”. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. We have elected to apply IFRS 16 which has been applied consistently throughout the Track Record Period. See Note 2.21 of the Accountant’s Report set out in Appendix I to this prospectus for more details.

We consistently applied IFRS 9, IFRS 16 and IFRS 15 in this prospectus throughout the Track Record Period without the disclosure on the impact of the new and revised accounting standards. We compared IFRS 9, IFRS 16 and IFRS 15 with IAS 39, IAS 17 and IAS 18, and consider that the adoption of IFRS 9, IFRS 16 and IFRS 15 has no material impact on the our financial position, results of operation and key financial ratios.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the period indicated:

	For the years ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue from contracts with customers	136,852	181,842	276,686	116,702	184,367
Cost of revenue	(65,949)	(111,468)	(135,266)	(60,343)	(61,493)
Gross Profit	70,903	70,374	141,420	56,359	122,874
Selling and marketing expenses	(9,919)	(33,693)	(68,975)	(23,368)	(52,736)
Research and development expenses	(2,596)	(11,538)	(17,492)	(8,790)	(9,512)
General and administrative expenses	(12,139)	(13,459)	(14,981)	(6,490)	(63,807)
Net impairment losses on financial assets	(10,123)	(1,584)	(6,963)	(1,194)	(438)
Other income	819	1,392	58	–	71
Other gain – net	19,238	25,374	35,723	21,796	23,923
Operating profit	56,183	36,866	68,790	38,313	20,375
Finance cost, net	(203)	(90)	(180)	(111)	30
Fair value changes of convertible redeemable preferred shares	–	–	–	–	91
Profit before income tax	55,980	36,776	68,610	38,202	20,496
Income tax expenses	(14,765)	(4,795)	(8,873)	(4,992)	(8,770)
Profit for the year/period	41,215	31,981	59,737	33,210	11,726
Other comprehensive income/(loss), net of tax					
Items that may be subsequently reclassified to profit or loss					
Currency translation differences	3,674	(7,277)	8,028	1,961	1,364
Total comprehensive income for the year/period	44,889	24,704	67,765	35,171	13,090
Non-IFRS measures⁽¹⁾					
Adjusted net profit ⁽²⁾	41,215	31,095	60,024	33,210	62,544

Notes:

- (1) The use of such measures has limitations as an analytical tool, 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 IFRS. See “– Non-IFRS Measures” in this section for further details.
- (2) We define adjusted net profit as profit for the year/period adjusted by share-based compensation expenses, listing expenses, interest income from loan to third parties, and fair value changes of convertible redeemable preferred shares, and net of their respective tax effects.

FINANCIAL INFORMATION

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

For the years ended 31 December 2016, 2017 and 2018 and for the six months ended 30 June 2018 and 2019, we generated total revenue of RMB136.9 million, RMB 181.8 million, RMB 276.7 million, RMB116.7 million and RMB184.4 million, respectively. The following table sets forth a breakdown of our revenue for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Mobile advertising platform and related business	112,953	82.5	154,162	84.8	183,762	66.4	79,878	68.4	69,907	37.9
Proprietary app traffic monetisation business	23,899	17.5	27,680	15.2	92,924	33.6	36,824	31.6	114,460	62.1
Total	136,852	100.0	181,842	100.0	276,686	100.0	116,702	100.0	184,367	100.0

The following table sets forth a breakdown of our revenue by geographic regions of our customers, which are mainly advertisers, for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Asia (excluding mainland China) ⁽¹⁾	54,206	39.5	91,719	50.5	189,353	68.4	82,589	70.8	120,731	65.4
Europe ⁽²⁾	34,465	25.2	46,227	25.4	34,475	12.5	19,747	16.8	11,004	6.0
North America ⁽³⁾	30,591	22.4	15,712	8.6	28,251	10.2	9,641	8.3	14,303	7.8
Mainland China	9,280	6.8	12,351	6.8	23,536	8.5	4,082	3.5	38,075	20.7
Rest of the world ⁽⁴⁾	8,310	6.1	15,833	8.7	1,071	0.4	643	0.6	254	0.1
Total	136,852	100.0	181,842	100.0	276,686	100.0	116,702	100.0	184,367	100.0

FINANCIAL INFORMATION

Notes:

- (1) Primarily includes Hong Kong, Macau, Taiwan, India, Israel, Japan, South Korea, Singapore and Indonesia.
- (2) Primarily includes Germany, United Kingdom, Portugal, Spain, Uruguay and Netherlands.
- (3) Primarily includes United States and Canada.
- (4) Primarily includes Seychelles, Cyprus, Brazil, Australia and Argentina.
- (5) The classification of the geographic regions are based on the Company's internal categorisation.

Mobile Advertising Platform and Related Business

We generate revenue primarily from providing comprehensive advertising platform and related services to the advertisers. Our revenue generated from advertising platform and related business contributed to approximately 82.5%, 84.8%, 66.4%, 68.4% and 37.9% of our total revenues for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, respectively.

We utilise a combination of pricing models when recognising our revenue generated from mobile advertising platform and related business. For our media buy business, we recognise the revenue on a net basis. For our programmatic mobile advertising platform and related business, we recognise revenue on a gross basis. See “– Critical Accounting Policies, Judgements and Estimates – Revenue Recognition” for more details. The following table sets forth a breakdown of our mobile advertising platform and related business revenues by revenue recognition methods for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Gross billing of media buy business	220,459		97,649		160,385		75,332		2,171	
Less cost for advertising placement	166,023		88,594		149,463		68,865		2,051	
Revenue recognised on net basis for media buy business	54,436	48.2	9,055	5.9	10,922	5.9	6,467	8.1	120	0.2
Revenue recognised on gross basis for programmatic advertising platform and related services	58,517	51.8	145,107	94.1	172,840	94.1	73,411	91.9	69,787	99.8
Total	112,953	100.0	154,162	100.0	183,762	100.0	79,878	100.0	69,907	100.0

FINANCIAL INFORMATION

The following table sets forth a breakdown of our revenue from mobile advertising platform and related business by geographic regions of our customers, which are mainly advertisers, for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	(Unaudited)									
Asia (excluding mainland China) ⁽¹⁾	54,005	47.7	76,079	49.3	113,355	61.7	51,338	64.3	56,787	81.2
Europe ⁽²⁾	21,308	18.9	37,420	24.3	28,120	15.3	16,114	20.2	4,626	6.6
North America ⁽³⁾	20,087	17.8	12,479	8.1	17,680	9.6	7,701	9.6	7,603	10.9
Mainland China	9,243	8.2	12,351	8.0	23,536	12.8	4,082	5.1	637	0.9
Rest of the world ⁽⁴⁾	8,310	7.4	15,833	10.3	1,071	0.6	643	0.8	254	0.4
Total	112,953	100.0	154,162	100.0	183,762	100.0	79,878	100.0	69,907	100.0

Notes:

- (1) Primarily includes Hong Kong, Macau, Taiwan, India, Israel, Japan, South Korea, Singapore and Indonesia.
- (2) Primarily includes Germany, United Kingdom, Portugal, Spain, Uruguay and Netherlands.
- (3) Primarily includes United States and Canada.
- (4) Primarily includes Seychelles, Cyprus, Brazil, Australia and Argentina.
- (5) The classification of the geographic regions are based on the Company's internal categorisation.

Proprietary App Traffic Monetisation Business

We provide advertising spaces to our advertisers on our own mobile apps. Revenue generated from proprietary app traffic monetisation business was primarily derived from traffic monetisation. Our revenue generated from proprietary app traffic monetisation business contributed to 17.5%, 15.2%, 33.6%, 31.6% and 62.1% of our total revenues for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, respectively. The following table sets forth a breakdown of our proprietary app traffic

FINANCIAL INFORMATION

monetisation business revenues by traffic monetisation and in-app purchase for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	(Unaudited)									
Traffic monetisation	23,893	99.97	27,605	99.73	90,495	97.39	36,756	99.82	112,820	98.57
In-app purchase	6	0.03	75	0.27	2,429	2.61	68	0.18	1,640	1.43
Total	23,899	100.0	27,680	100.0	92,924	100.0	36,824	100.0	114,460	100.0

The following table sets forth a breakdown of our revenue from proprietary app traffic monetisation business by geographic regions of our customers, which are mainly advertisers, for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	(Unaudited)									
Europe ⁽¹⁾	13,157	55.0	8,807	31.8	6,355	6.8	3,633	9.9	6,378	5.6
North America ⁽²⁾	10,504	44.0	3,233	11.7	10,571	11.4	1,940	5.3	6,700	5.9
Asia (excluding mainland China) ⁽³⁾	201	0.8	15,640	56.5	75,998	81.8	31,251	84.8	63,944	55.8
Mainland China	37	0.2	-	-	-	-	-	-	37,438	32.7
Total	23,899	100.0	27,680	100.0	92,924	100.0	36,824	100.0	114,460	100.0

Notes:

- (1) Primarily includes Germany, United Kingdom, Portugal, Spain, Uruguay and Netherlands.
- (2) Primarily includes United States and Canada.
- (3) Primarily includes Hong Kong, Macau, Taiwan, India, Israel, Japan, South Korea, Singapore and Indonesia.
- (4) The classification of the geographic regions are based on the Company's internal categorisation.

FINANCIAL INFORMATION

Cost of Revenue

Our cost of revenue primarily consists of (i) cost for advertising placement that represents the costs of ad traffics we purchase from publishers; (ii) employee benefit expense, which mainly represents the salaries, wages and other benefits of employees involved in our operation services; (iii) server capacity expense incurred to support our overall business and (iv) technical service fee incurred to provide software system model development service. For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, our costs of revenue were RMB65.9 million, RMB111.5 million, RMB135.3 million, RMB60.3 million and RMB61.5 million, respectively. The following table sets forth a breakdown of our cost of revenue by nature for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	(Unaudited)									
Cost for advertising placement	40,664	61.7	81,963	73.5	89,868	66.4	44,527	73.8	39,020	63.5
Employee benefit expense	16,852	25.5	19,580	17.6	20,430	15.1	9,182	15.2	10,647	17.3
Server capacity expense	2,113	3.2	5,585	5.0	11,765	8.7	4,456	7.4	9,099	14.8
Intangible assets amortisation	800	1.2	800	0.7	800	0.6	400	0.7	400	0.7
Technical service fee	-	-	-	-	8,491	6.3	-	-	-	-
Others	5,520	8.4	3,540	3.2	3,912	2.9	1,778	2.9	2,327	3.7
Total	65,949	100.0	111,468	100.0	135,266	100.0	60,343	100.0	61,493	100.0

FINANCIAL INFORMATION

The following table sets forth a breakdown of our cost of revenue by business lines for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	(Unaudited)									
Mobile advertising platform and related business										
- Cost for advertising placement for programmatic advertising platform and related business	40,664	61.7	81,963	73.5	89,868	66.4	44,527	73.8	39,020	63.5
- Employee benefit expense	10,519	16.0	13,651	12.3	14,957	11.1	7,369	12.2	5,424	8.8
- Server capacity expense	2,113	3.2	5,585	5.0	11,765	8.7	4,456	7.4	9,099	14.8
- Technical service fee	-	-	-	-	8,491	6.3	-	-	-	-
- Others	2,973	5.0	2,377	2.1	2,926	2.2	1,359	2.3	1,564	2.5
Proprietary app traffic monetisation business										
- Employee benefit expense	6,333	9.5	5,929	5.3	5,473	4.0	1,813	3.0	5,223	8.5
- Intangible assets amortisation	800	1.2	800	0.7	800	0.6	400	0.7	400	0.7
- Others	2,547	3.4	1,163	1.1	986	0.7	419	0.6	763	1.2
Total	<u>65,949</u>	<u>100.0</u>	<u>111,468</u>	<u>100.0</u>	<u>135,266</u>	<u>100.0</u>	<u>60,343</u>	<u>100.0</u>	<u>61,493</u>	<u>100.0</u>

The charging basis of the cost of advertising placement is in accordance with the performed agreed actions, such as click, download, activation and registration. Our cost for advertising placement varies due to a number of factors, including the geographic origin of traffic, targeted audience of the traffic, and the scale of traffic. Generally, large media publishers are generally charged for a higher term in relation to their online traffic than small-to-medium media publishers.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, our gross profit was RMB70.9 million, RMB70.4 million, RMB141.4 million, RMB56.4 million and RMB122.9 million, respectively, and our gross profit margin was 51.8%, 38.7%, 51.1%, 48.3% and 66.6%, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin by category of business for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Mobile advertising platform and related business	56,684	50.2	50,586	32.8	55,755	30.3	22,167	27.8	14,800	21.2
Media Buy Business ⁽¹⁾	47,934	88.1	8,113	89.6	9,860	90.3	5,760	89.1	107	89.9
Programmatic advertising platform business ⁽¹⁾	8,750	15.0	33,224	24.7	41,612	26.2	16,407	22.3	14,693	21.1
Mobile advertising platform related services ⁽¹⁾	-	-	9,249	89.6	4,283	30.3	-	-	-	-
Proprietary app traffic monetisation business	14,219	59.5	19,788	71.5	85,665	92.2	34,192	92.9	108,074	94.4
Total	70,903	51.8	70,374	38.7	141,420	51.1	56,359	48.3	122,874	66.6

(1) For calculating the gross profit margin of media buy business and matching the revenues of each category of business to relevant costs, programmatic advertising platform and related services, cost for advertising placement for programmatic advertising platform business and server capacity expense were regarded as the cost of revenue for programmatic advertising platform; technical service fee were considered as the cost of revenue for mobile advertising platform related services; and employee benefit expense and others were proportionated to the three categories of business on the basis of their respective revenue.

Our gross profit margin was significantly affected by the composition of our revenue. We recognise our revenue from media buy services on a net basis (net of the cost for advertising placement, which is the major costs) and revenue from other services rendered on a gross basis. See “– Critical Accounting Policies, Judgements and Estimates – Revenue Recognition”. Since the cost for advertising placements, the most significant cost item for media buy business, has been deducted in arriving the revenue on net basis, the gross profit of media buy service is

FINANCIAL INFORMATION

arrived by deducting a relatively insignificant amount of employee benefit expenses from the revenue, while the cost of revenue of other two categories of business comprises of significant costs, including cost for advertising placement and server capacity expense. Thus, our media buy services earns a gross profit margin higher than others. However, the gross profit margin of the media buy business based on its revenue on gross basis (i.e. gross profit as a percentage of the gross billing of media buy) was 21.6%, 8.3%, 6.1%, 8.6% and 5.5%, for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, respectively, which recorded a decreasing trend during the Track Record Period. Having said that the presentation of revenue of media buy business on a net basis is prepared in accordance with IFRS, we consider that such gross margin based on gross revenue of the media buy business can give a better picture of the changes of margin of the media buy business during the Track Record Period and can give a meaningful comparison to the gross margin of programmatic advertising platform business because both of them are prepared based on gross revenue.

We started to reduce our media buy business from 2017 due to its reducing margin and long receivable turnover days. Consequently, our gross profit margin of mobile advertising platform and related business decreased from 50.2% in 2016 to 32.8% in 2017 resulting in a decrease of our overall gross profit margin from 51.8% in 2016 to 38.7% in 2017. Our overall gross profit margin increased from 38.7% in 2017 to 51.1% in 2018, primarily due to (i) a significant increase in the gross profit margin of our proprietary app traffic monetisation business; and (ii) the gross profit of our proprietary app traffic monetisation business accounted for a higher proportion in our total gross profits compared with that in 2017. Our gross profit margin increased from 48.3% for six months ended 30 June 2018 to 66.6% for six months ended 30 June 2019, primarily because the gross profit of our proprietary app traffic monetisation business accounted for a higher proportion of our total gross profit compared with that for the six months ended 30 June 2018. The gross profit margin of our proprietary app traffic monetisation business increased from 59.5% in 2016 to 71.5% in 2017 and further increased to 92.9% in 2018 and 94.4% in the first half of 2019, primarily because (i) our ability to generate revenue was enhanced as a result of the continuous development, optimisation and marketing of our mobile apps, and the performance metrics of our proprietary app traffic monetisation business were improved, with an increase of 399.5 million in the number of users, 14.0 million in the average DAUs and 64.9 million in the average MAUs during the Track Record Period; and (ii) the cost of revenue of such business, which mainly includes the employee benefit expenses and other costs for the daily operation of our mobile apps, increased by a less proportionate extent as compared with that of the revenue. The gross profit margin of our proprietary app traffic monetisation business was relatively high during the Track Record Period, while in addition to the cost of revenue, we incurred marketing expenses for our mobile apps, which were recognised as selling and marketing expenses as such expenses were incurred to promote our proprietary app traffic monetisation business as a whole, to support our revenue growth. The increase of marketing expenses was generally in line with our revenue growth. Please refer to the section headed “– Period-to-Period Comparison of Results of Operations” for more details.

FINANCIAL INFORMATION

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) cost for advertising placement that we used in marketing our proprietary mobile apps such as our Solo Launcher, music apps, fitness apps, security apps and casual game apps on various media publishers' platforms; and (ii) other expenses, including our exhibition expense and events expenses. For details of our marketing activities, please refer to the section headed "Business – Business Operations – Solo X Product Matrix – Marketing". For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, our selling and marketing expenses were RMB9.9 million, RMB33.7 million, RMB69.0 million, RMB23.4 million and RMB52.7 million, respectively, accounting for 7.2%, 18.5%, 24.9%, 20.0% and 28.6% of our revenue in 2016, 2017, 2018 and the six months ended 30 June 2018 and 2019, respectively, which was consistent with the increasing trend of revenue from our proprietary app traffic monetisation business. The following table sets forth a breakdown of our total selling and marketing expenses for the periods indicated:

	For years ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	(Unaudited)									
Cost for advertising placement	9,350	94.3	31,924	94.7	65,856	95.5	22,268	95.3	51,164	97.0
Others	569	5.7	1,769	5.3	3,119	4.5	1,100	4.7	1,572	3.0
Total	9,919	100.0	33,693	100.0	68,975	100.0	23,368	100.0	52,736	100.0

Research and Development Expenses

Our research and development expenses consist of (i) employee benefits expenses under research and development department; and (ii) other expenses. For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, our research and development expenses were RMB2.6 million, RMB11.5 million, RMB17.5 million, RMB8.8 million and RMB9.5 million, respectively. The following table sets forth a breakdown of our total research and development expenses for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	(Unaudited)									
Employee benefit expense	1,954	75.3	9,939	86.1	15,733	89.9	7,852	89.3	8,824	92.8
Others	642	24.7	1,599	13.9	1,759	10.1	938	10.7	688	7.2
Total	2,596	100.0	11,538	100.0	17,492	100.0	8,790	100.0	9,512	100.0

FINANCIAL INFORMATION

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) employee benefit expenses; (ii) travel and office supplies expenses; (iii) consultant and professional service fee incurred for general legal and auditing services; and (iv) other expenses we spent in business administration. For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, our administrative expenses were RMB12.1 million, RMB13.5 million, RMB15.0 million, RMB6.5 million and RMB63.8 million, respectively. The following table sets forth a breakdown of our general and administrative expenses for the periods indicated:

	For years ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Share-based compensation expenses	-	-	-	-	-	-	-	-	36,847	57.7
Employee benefit expenses	5,542	45.7	8,466	62.9	10,013	66.8	4,688	72.2	7,170	11.2
Travel expense	1,496	12.3	1,103	8.2	990	6.6	453	7.0	608	1.0
Consultant and professional service fee	1,847	15.2	552	4.1	499	3.3	206	3.2	791	1.2
Listing expense	-	-	-	-	338	2.3	-	-	15,230	23.9
Others	3,254	26.8	3,338	24.8	3,141	21.0	1,143	17.6	3,161	5.0
Total	12,139	100.0	13,459	100.0	14,981	100.0	6,490	100.0	63,807	100.0

Net Impairment Losses on Financial Assets

During the Tracking Record Period, our net impairment losses on financial assets were primarily from accounts receivable. The following table sets forth a breakdown of our net impairment losses on financial assets for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Impairment loss from										
- Accounts receivable	10,123	100.0	1,334	84.2	6,963	100.0	1,194	100.0	438	100.0
- Other receivable	-	-	250	15.8	-	-	-	-	-	-
Total	10,123	100.0	1,584	100.0	6,963	100.0	1,194	100.0	438	100.0

FINANCIAL INFORMATION

In 2016, one customer of our media buy business encountered financial difficulties and delayed its payment to us, with an outstanding balance of RMB23.9 million as of 31 December 2016, whereas RMB17.7 million was subsequently settled and the remaining balance of RMB6.2 million was fully impaired during the year ended 31 December 2016. We follow the guidance of IFRS 9 to determine when accounts receivable are impaired. See “– Critical Accounting Policies, Judgements and Estimates – Impairment of Accounts Receivable” for more details. In 2017, we started to enhance our accounts receivable collection management and established stricter credit policies including granting credit terms to customers with good credit worthiness and collecting accounts receivable in a timely manner.

Other Income

Our other income primarily consisted of (i) government grants; and (ii) interest income from loan to third parties. For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, our other income were RMB0.8 million, RMB1.4 million, RMB0.1 million and RMB0.1 million, respectively. The following table sets forth a breakdown of our other income for the periods indicated:

	For years ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Government grants	819	100.0	350	25.1	58	100.0	-	-	71	100.0
Interest income from loan to a third party	-	-	1,042	74.9	-	-	-	-	-	-
Total	819	100.0	1,392	100.0	58	100.0	-	-	71	100.0

The government grants we gained were special funds for the development of culture and creativity industry, enterprise stock reform incentives and tax returns. The interest income we recorded was derived from the loans of RMB20.0 million we made to Beijing Amphora in 2017.

FINANCIAL INFORMATION

Other Gain – Net

Our other gain – net primarily consisted of (i) fair value changes in financial assets measured at FVPL; (ii) exchange gain or loss mainly caused by the fluctuations in USD:RMB exchange rates. For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, our other gain – net were RMB19.2 million, RMB25.4 million, RMB35.7 million, RMB21.8 million and RMB23.9 million, respectively. The following table sets forth a breakdown of our other gain – net for the periods indicated:

	For years ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Fair value changes of financial assets measured at FVPL	19,211	99.9	27,850	109.8	31,704	88.7	20,475	93.9	23,301	97.4
– wealth management product	12,922	67.2	11,299	44.5	6,671	18.7	2,614	12.0	1,951	8.2
– equity interest of Mico	5,200	27.0	16,000	63.1	24,600	68.9	17,700	81.2	21,100	88.2
– equity interest of Beijing Amber Creative	1,089	5.7	551	2.2	433	1.1	161	0.7	250	1.0
Exchange gain or loss	386	2.0	(2,475)	(9.8)	4,033	11.3	1,333	6.1	629	2.6
Others	(359)	(1.9)	(1)	(0.0)	(14)	(0.0)	(12)	(0.1)	(7)	(0.0)
Total	19,238	100.0	25,374	100.0	35,723	100.0	21,796	100.0	23,923	100.0

The fair value changes in financial assets measured at FVPL represented the fair value changes in our wealth management products, funds and equity interests in private companies we held for investment purpose. For details, please refer to “– Discussion of Certain Key Consolidated Balance Sheets Items – Financial Assets Measured at FVPL”.

Fair Value Changes of Convertible Redeemable Preferred Shares

Our convertible redeemable preferred shares are carried at fair value with changes in fair value recognised in the consolidated statements of comprehensive income. For the six months ended 30 June 2019, we had gain on fair value changes of convertible redeemable preferred shares of approximately RMB91,000, which is redeemable by the Company. Prior to the Global Offering, as the preferred shares are not traded in an active market, the fair value is determined using valuation techniques. Please refer to Note 26 to the Accountants’ Report included in Appendix I to this prospectus for details of the key assumptions in the valuation. Please also

FINANCIAL INFORMATION

see “History and Corporate Structure – Our Major Subsidiaries and Operating Entities – NewBornTown Mobile Technology – Equity Transfer in 2019” for the equity transfer from Haitong Xinxi to China Fuqiang.

Finance Cost, Net

Our net finance cost represented finance cost on discount of lease payments offset by finance income from interest of bank deposit. For the years ended 31 December 2016, 2017 and 2018 and for the six months ended 30 June 2018, our net finance cost was RMB0.2 million, RMB0.1 million, RMB0.2 million and RMB0.1 million, respectively. For the six months ended 30 June 2019, our net finance income was approximately RMB30,000. The following table illustrates the reconciliation of our finance cost and net finance cost for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(Unaudited)	
Finance cost	215	94	219	128	54
Finance income	(12)	(4)	(39)	(17)	(84)
Net finance cost/(income)	203	90	180	111	(30)

Income Tax Expenses

Our income tax expenses consist of current income tax and deferred income tax. The following table sets forth a breakdown of our income tax expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(Unaudited)	
Current					
– Current tax on profits for the year/period	611	148	–	–	4,479
Deferred income tax					
– Changes in deferred tax assets/liabilities	14,154	4,647	8,873	4,992	4,291
Total	14,765	4,795	8,873	4,992	8,770

FINANCIAL INFORMATION

Cayman

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and are not subject to income tax in the Cayman Islands.

Hong Kong

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the assessable profits for the years presented, based on the existing legislation, interpretations and practices in respect thereof.

PRC

The income tax provision of the Group in respect of its operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the Track Record Period, based on the exiting legislation, interpretations and practices in respect therefore. NewBornTown Network Technology was qualified as “High and New Technology Enterprises” under the relevant PRC laws and regulations since 2017. Accordingly, NewBornTown Network Technology was entitled to a preferential income tax rate of 15% on its assessable profits for the year ended/ending 31 December 2017, 2018 and 2019.

According to the relevant laws and regulations, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”) from 2008. Further, the enterprises engaging in research and development activities would entitle to claim 175% of their research and development expenses as Super Deduction from 1 January 2018 to 31 December 2020. We have made our best estimate for the Super Deduction to be claimed our entities in ascertaining their assessable profits during the year. Shandong NewBornTown was qualified as a software enterprise under the relevant PRC laws and regulations in 2019. Accordingly, Shandong NewBornTown is exempt from enterprise income tax for the year of 2018 and 2019, followed by a 50% reduction in applicable tax rates for the three years ending 31 December 2020, 2021 and 2022.

As a result, our effective tax rate for the years ended 31 December 2016, 2017 and 2018 were 26.4%, 13.0% and 12.9%, respectively. Our effective tax rate increased from 13.1% for the six months ended 30 June 2018 to 42.8% for the six months ended 30 June 2019, primarily because our share-based compensation expenses of RMB36.8 million we incurred for the six months ended 30 June 2019 were non-deductible for tax purpose.

As of the Latest Practicable Date, we did not have any disputes with any tax authority.

FINANCIAL INFORMATION

Global Tax Exposure

As we provide overseas mobile marketing services, we are subject to, if applicable, the tax laws in different countries and/or jurisdictions from where our customers are located. While we do not have any permanent establishment in countries or regions other than PRC and Hong Kong, we assess and monitor our tax risks mainly by taking the following internal control procedures:

- we monitor and understand from time to time the relevant laws and regulations in PRC, Hong Kong, and countries and/or jurisdictions where our customers are located. Understanding of the laws and regulations on the taxation and settlement of our income in relevant jurisdictions is a critical step in our customer acceptance procedure. We assess our tax exposure by countries and/or jurisdictions where our customers located according to their respective tax laws and regulations. During the Track Record Period, the majority of our revenues were generated from customers in below categories of countries:
 - (i) either in PRC or Hong Kong;
 - (ii) in the countries with the regulation on withholding tax on the payments to other countries, where our customers withhold and make any tax payments for us;
 - (iii) in the countries with tax treaties for the avoidance of double taxation on income with either PRC or Hong Kong, the locations of incorporation of the contracting and operating entities of our Group, where our Directors consider we do not carry out business activities through a permanent establishment situated therein in accordance with the tax treaties;
 - (iv) in the countries from where the incomes generated are not taxable; and
 - (v) in the countries where the local tax laws and regulations clearly defines the types of income earned by our Group, a non-resident without permanent establishment, is non-taxable.
- we typically specify with our customers that each contract party is solely and separately responsible for its own taxes, levies and duties in our standard contract and/or service order templates to minimise our risks with regard to tax; and
- for those jurisdictions imposing withholding tax on the Group's income, our Group negotiates relevant contract terms with the customers to fulfil the Group's potential tax liability with regards to such tax regulations. For example, in the contracts, the payment terms specify that the customers shall withhold all taxes that may be imposed on our Group's income under this agreement by virtue of the statutes, laws, codes or governmental regulations of a country, and in turn, such taxes should be paid to relevant authorities by the customer on behalf of the Group by deducting them from the payment to our Group.

FINANCIAL INFORMATION

Taking into consideration the above analysis and internal control procedures, our Directors consider we were not subject to any other material tax exposures from the transactions with our customers during the Track Record Period.

Non-IFRS Measures

To supplement our consolidated statements of profit or loss, which are presented in accordance with IFRS, we also use adjusted net profit as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures help identify underlying trends in our business that could otherwise be distorted by the effect of the expenses that we include in income from operations and net profit, and therefore provide useful information to investors and others in understanding and evaluating our results of operation by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance, which is in the same manner as the action of our management when comparing financial results across accounting periods. We also believe that these non-IFRS measures provide useful information about our operating results, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

We define adjusted net profit as profit for the year adjusted by share-based compensation expenses, listing expenses, interest income from loan to third parties and fair value changes of convertible redeemable preferred shares, net of their respective tax effects. The use of adjusted net profit has material limitations as an analytical tool because they do not reflect all items of income and expenses that affect our operations. When assessing our operating and financial performance, you should not consider adjusted net profit in isolation from or as a substitute for our profit or loss for the period, gross profit or any other financial performance measure that is calculated in accordance with IFRS. The terms adjusted net profit are not defined under IFRS, and such terms may not be comparable to other similarly titled measures used by other companies.

FINANCIAL INFORMATION

Reconciliation

The following tables set forth the reconciliations of our non-IFRS financial measures, net of tax effects on the adjustments, for the periods indicated, to the nearest measures prepared in accordance with IFRS:

	For the year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit for the year/period	41,215	31,981	59,737	33,210	11,726
Add:					
Share-based compensation expenses ⁽¹⁾	–	–	–	–	36,847
Listing expenses ⁽¹⁾	–	–	338	–	15,230
Less:					
Interest income from loan to third parties ⁽²⁾	–	(1,042)	–	–	–
Fair value changes of convertible redeemable preferred shares ⁽³⁾	–	–	–	–	(91)
Tax effect ⁽⁴⁾	–	156	(51)	–	(1,168)
Adjusted net profit	41,215	31,095	60,024	33,210	62,544
Net profit growth	N/A	(22.4%)	86.8%	N/A	(64.7%)
Adjusted net profit growth	N/A	(24.6%)	93.0%	N/A	88.3%
Net profit margin ⁽⁵⁾	30.1%	17.6%	21.6%	28.5%	6.4%
Adjusted net profit margin ⁽⁶⁾	30.1%	17.1%	21.7%	28.5%	33.9%

Notes:

- (1) In June 2019, the Company repurchased certain shares redeemable with certain senior management members of the Company at a consideration lower than the fair value of the repurchased shares (i.e. at which consideration such shares could be redeemed). The difference represented a reduction in the redemption liabilities of such senior management members and was deemed economic benefits received by them. Such item is non-recurring as it is derived from a one-off event.
- (2) Including interest income from a loan to a third party. As the loan had been repaid in full, we consider it to be one-off and non-recurring.
- (3) Such item is non-recurring as it is derived from a one-off event.
- (4) Including tax effects on listing expenses and interest income from loan to third parties, which are calculated with tax rates of 25% for 2016 and 15% for other periods.

FINANCIAL INFORMATION

- (5) Calculated as profit for the year/period divided by revenue and multiplied by 100%.
- (6) Calculated as adjusted net profit for the year/period divided by revenue and multiplied by 100%.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended 30 June 2019 Compared to Six Months Ended 30 June 2018

Revenue from Contracts with Customers

Our total revenue increased by 58.0% from RMB116.7 million for six months ended 30 June 2018 to RMB184.4 million for six months ended 30 June 2019, primarily due to the increase of RMB77.6 million in the revenues generated from our proprietary app traffic monetisation business, which was partially offset by the decrease of RMB10.0 million in revenues generated from our mobile advertising platform and related business.

Our revenue generated from proprietary app traffic monetisation business increased by 210.8% from RMB36.8 million for six months ended 30 June 2018 to RMB114.5 million for six months ended 30 June 2019, mainly attributable to the increase in number of average daily impressions delivered on our Solo X product matrix by 314.8% from the first half of 2018 to the first half of 2019, as (i) our continuous efforts in developing and launching new mobile apps, in particular, 66 new apps in the first half of 2019, such as Flat Stomach Workout For Female, Free Trending Music – Music Player and Tank Heroes, and the upgrade of our existing apps, including Power Antivirus, Archery Champ, Beetles.io and Solo Launcher, enabled us to maintain and attract users; (ii) our increased promotion efforts and the synergy effect to cross-market our apps also contributed to the growth of our user base; and (iii) since a leading global mobile internet company based in the PRC, which launched its mobile advertising ad network in the second half of 2018, offered favourable terms and policies to publishers in 2019 through its subsidiary, Company V, we spent more efforts on launching and operating apps in the PRC market, such as 殺毒清理大師 (Antivirus Clean Master) and 壹鍵清理管家 (Quick Clean) to monetise the ad inventories of our mobile app products, as result of which, we derived a revenue from Company V of RMB32.5 million for the six months ended 30 June 2019.

Our revenue generated from mobile advertising platform and related business decreased by 12.5% from RMB79.9 million for six months ended 30 June 2018 to RMB69.9 million for six months ended 30 June 2019, primarily because (i) we further reduced our media buy business, which resulted in a decrease of RMB6.3 million in the corresponding revenue; and (ii) our revenue from programmatic advertising service decreased slightly mainly due to a decrease in the revenue generated via the SP module, which was partially offset by an increase in the revenue generated via the SAX module. Consistent with industry norm according to iResearch, SP as an ad network mainly connects small- and medium-sized publishers to the best of our Directors' knowledge. Our Directors believe that our advertisers reduced their advertising spending via the SP module in the first half of 2019 in view of uncertainties in the

FINANCIAL INFORMATION

global and local economies. Subsequent to the Track Record Period and up to 31 October 2019, the revenue generated via both SP and SAX recorded increases compared with the same period in 2018 based on our unaudited management accounts.

Cost of Revenue

Our cost of revenue increased by 1.9% from RMB60.3 million for six months ended 30 June 2018 to RMB61.5 million for six months ended 30 June 2019, primarily due to an increase of RMB3.8 million in our cost of revenue for proprietary app traffic monetisation business as a result of the growth of such business.

Our cost of revenue for proprietary app traffic monetisation business increased by 142.6% from RMB2.6 million for six months ended 30 June 2018 to RMB6.4 million for six months ended 30 June 2019, primarily due to the increase of RMB3.4 million in wages and benefits of our operational staff as a result of (i) our annual salary review; and (ii) the increase in the number of staff in our proprietary app traffic monetisation business to accommodate the rapid growth of such business.

Our cost of revenue for mobile advertising platform business decreased by 4.5% from RMB57.7 million for the six months ended 30 June 2018 to RMB55.1 million for the six months ended 30 June 2019, generally in line with the performance of our programmatic advertising service.

Gross Profit and Gross Profit Margin

Our gross profit increased by 118.0% from RMB56.4 million for six months ended 30 June 2018 to RMB122.9 million for six months ended 30 June 2019. Our gross profit margin increased from 48.3% for six months ended 30 June 2018 to 66.6% for six months ended 30 June 2019, primarily because the gross profit of our proprietary app traffic monetisation business, which records a much higher gross profit margin than our mobile advertising platform business, accounted for a higher proportion of 88.0% of our total gross profit, compared with 60.7% for six months ended 30 June 2018.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 125.7% from RMB23.4 million for six months ended 30 June 2018 to RMB52.7 million for six months ended 30 June 2019, primarily because (i) to facilitate our cooperation with PRC-based global leading mobile internet companies and/or their subsidiaries, in particular company V, we extensively promote our apps, such as Security and Cleaner Master and Security Warrior in the PRC market; and (ii) we continued to market our apps, such as Tank Heroes, Archery Go and Magic Launcher, in overseas market.

FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses increased by 8.2% from RMB8.8 million for six months ended 30 June 2018 to RMB9.5 million for six months ended 30 June 2019, primarily due to the increase in wages and benefits of our research and development staff, as (i) we recruited new employees to meet our increased demands in game apps development and AI targeting optimisation; and (ii) we adjusted wages and benefits of our research and development staff according to our annual salary review results.

General and Administrative Expenses

Our general and administrative expenses increased by 883.2% from RMB6.5 million for six months ended 30 June 2018 to RMB63.8 million for six months ended 30 June 2019, primarily because (i) we recorded listing expenses of RMB15.2 million; (ii) we incurred higher salaries, wages and other expenses, as we recruited new employees to support our business growth and we adjusted employee wages and benefits according to our annual salary review results; and (iii) we recorded share-based compensation of RMB36.8 million. During the six months ended 30 June 2019, the shares transferred to China Fuqiang, which was then redeemable by Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian before the transferal, were converted from ordinary shares to convertible redeemable preferred shares, which is redeemable by the Company. The Group recognised share-based compensation expenses of approximately RMB242,000 during the same period according to IFRS2 Share-based Payment. Such expenses, which was the difference between the fair value of the ordinary shares and the fair value of the convertible redeemable preferred shares on the conversion date, represented the reduction in the redemption liabilities of certain of our then directors, namely Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian, and were deemed to be economic benefits received by them. On 22 June 2019, the Company entered into a share repurchase agreement with Phoenix Auspicious to repurchase 6,880,990 shares of the Company, which was then redeemable by Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian. We recorded a one-off share-based compensation expenses of RMB36.6 million during the six months ended 30 June 2019 according to IFRS2 Share-based Payments. Such expense, which was the difference between the fair value of the repurchased shares and the consideration paid, mainly represented the reduction in the redemption liabilities of certain of our then directors, namely Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian, which were deemed to be economic benefits received by them. Please refer to the section headed “History and Corporate Structure – Pre-IPO Investment – Special rights of the Pre-IPO Investors” for the details of the redemption right. See Note 29 of the Accountant’s Report set out in Appendix I to this prospectus.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets decreased by 63.3% from RMB1.2 million for six months ended 30 June 2018 to RMB0.4 million for six months ended 30 June 2019, mainly due to the implementation of our stricter internal control measures on our accounts receivable to improve the quality and collection of our accounts receivable.

FINANCIAL INFORMATION

Other Income

Our other income remained relatively stable for the six months ended 30 June 2018 and 2019.

Other Gain – Net

Our other gain – net increased by 9.8% from RMB21.8 million for six months ended 30 June 2018 to RMB23.9 million for six months ended 30 June 2019, primarily due to the continuous increase in the valuation of our equity investment in Mico.

Operating Profit

As a result of foregoing, our operating profit decreased by 46.8% from RMB38.3 million for six months ended 30 June 2018 to RMB20.4 million for six months ended 30 June 2019.

Finance Costs – Net

We recorded a finance income of RMB0.03 million for the six months ended 30 June 2019, compared with a finance cost of RMB0.1 million for the six months ended 30 June 2018, primarily because interests from our bank deposits exceeded interests paid for our borrowings for the first half of 2019.

Fair Value Changes of Convertible Redeemable Preferred Shares

We recorded a gain on fair value changes of our convertible redeemable preferred shares of approximately RMB91,000 for six months ended 30 June 2019, primarily because the fair value of the convertible redeemable preferred shares decreased by approximately RMB91,000 as a result of the revaluation.

Income Tax Expense

Our income tax expense increased by 75.7% from RMB5.0 million for six months ended 30 June 2018 to RMB8.8 million for six months ended 30 June 2019, primarily as a result of the increase of our taxable profits. Our effective tax rate increased from 13.1% for the first half of 2018 to 42.8% for the first half of 2019, primarily because our Company incurred a share-based compensation expense of RMB36.8 million in the first half of 2019, which was a non-deductible expense for our Group as a whole, considering our exemption from corporate tax in Cayman Islands.

FINANCIAL INFORMATION

Profit for the Period

As a result of the foregoing, our profit for the period decreased by 64.7% from RMB33.2 million for six months ended 30 June 2018 to RMB11.7 million for six months ended 30 June 2019. Our net profit margin, which represents profit for the period as a percentage of total revenues, decreased from 28.5% for six months ended 30 June 2018 to 6.4% for six months ended 30 June 2019.

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

Revenue from Contracts with Customers

Our total revenue increased by 52.2% from RMB181.8 million in 2017 to RMB276.7 million in 2018, primarily due to the increase of RMB29.6 million and RMB65.2 million in the revenues generated from our mobile advertising platform and related business and proprietary app traffic monetisation business, respectively.

Our revenue generated from mobile advertising platform and related business increased by 19.2% from RMB154.2 million in 2017 to RMB183.8 million in 2018, primarily because the business volume of our mobile advertising platform service, in particular our programmatic advertising service and related business, increased as (i) we continued to expand the scale of and to optimise the user acquisition solutions of SP and the performance metrics of SP were improved; in particular, the average number of monthly ads delivered by SP increased from 5,609.9 million in 2017 to 6,765.5 million in 2018 and the number of advertisers (ad agencies) connected and transacted increased from 223 in 2017 to 438 in 2018; (ii) we launched SAX in May 2018 and recorded a revenue from such service; and (iii) our sales, business development and marketing team and our operation team, which served the fast-growing business by developing and promoting our mobile advertising platform to both advertisers and publishers, continued to expand.

Our revenue generated from proprietary app traffic monetisation business increased by 235.7% from RMB27.7 million in 2017 to RMB92.9 million in 2018, primarily driven by the increase in the number of users of our mobile apps from 476.6 million in 2017 to 669.9 million in 2018 and average DAUs from 17.1 million in 2017 to 24.0 million in 2018, which was mainly attributable to (i) our enriched Solo X products sub-matrix with the launch of 28, 41 and 28 apps in Games, Fitness and Media & Entertainment sub-matrices, respectively, such as Pixel Artworks and Chest Training, attracted 160.3 million users since late 2017; (ii) the emergence of our popular apps, including Free Music – Offline Music Player, Free Music – Online Music, Beetles. io, Archery Champ and Butt Workout At Home, in 2018; (iii) the continued optimisation of our existing apps, including performance improvements of the antivirus and system cleaning features of and adding new features to our User System apps and improving the layout and expanding the library of our Media & Entertainment apps; and (iv) the improved monetisation efficiency as a result of the optimisation of our AI capabilities.

FINANCIAL INFORMATION

Cost of Revenue

Our cost of revenue increased by 21.3% from RMB111.5 million in 2017 to RMB135.3 million in 2018, primarily due to the increase of RMB24.4 million in cost of revenue for our mobile advertising platform and related business.

Our cost of revenue for mobile advertising platform and related business increased by 23.6% from RMB103.6 million in 2017 to RMB128.0 million in 2018, primarily due to (i) the increase of RMB7.9 million in our cost of advertising placement, which was in line with the growth of revenue generated from our mobile advertising platform and related business; and (ii) an increase in server capacity expense of RMB6.2 million to support our business growth.

Our cost of revenue for proprietary app traffic monetisation business remained stable in 2017 and 2018, primarily because we only incurred minimum level of costs, mainly comprising staff costs, for the daily operation of our mobile apps, as the promotion expenses and the development costs of our mobile apps were recognised as selling and marketing expenses and research and development expenses, respectively.

Gross Profit and Gross Profit Margin

Our gross profit increased by 101.0% from RMB70.4 million in 2017 to RMB141.4 million in 2018. Our gross profit margin increased from 38.7% to 51.1%, primarily because the gross profit of our proprietary app traffic monetisation business, which records a higher gross profit margin than mobile advertising platform and related business, accounted for 60.6% of our total gross profits compared with 28.1% in 2017. The gross profit margin of our proprietary app traffic monetisation business increased significantly as (i) our enriched app types, the emergence of our popular apps, and the continuing optimisation of our proprietary mobile apps expanded our user base and enhanced our user stickiness, which, in turn, boosted the monetisation efficiency of our apps; and (ii) the cost of revenue of our proprietary app traffic monetisation business, which mainly includes the employee benefit expenses and other costs for the daily operation of our mobile apps, remained relatively stable.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 104.7% from RMB33.7 million in 2017 to RMB69.0 million in 2018, primarily due to the increase of RMB33.9 million in costs for advertising placement for our proprietary app traffic monetisation business, which in turn, was primarily because (i) we made intensive and comprehensive promotion for our newly launched apps in all sub-matrices, including our launcher, music, fitness, security and casual game apps, such as Beetles.io, Archery Champ and Free Music – Offline Music Player; and (ii) we continued to promote our existing apps selectively based on their performance.

FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses increased by 51.6% from RMB11.5 million in 2017 to RMB17.5 million in 2018, mainly attributable to (i) an increase in research and development activities of our games apps; and (ii) the increased headcounts and salary level of our research and development experts.

General and Administrative Expenses

Our general and administrative expenses increased by 11.3% from RMB13.5 million in 2017 to RMB15.0 million in 2018. The increase in our general and administrative expenses mainly reflects the increase of RMB1.5 million in our employee benefit expenses as a result of the growth of our business and the increase in the salaries and benefits of our staff.

Net Impairment Losses on Financial Assets

The net impairment losses on financial assets we recorded increased by 339.6% from RMB1.6 million in 2017 to RMB7.0 million in 2018, primarily due to the increase in provisions for accounts receivable we recorded, partially offset by the decrease in provisions for individual balance of accounts receivable with increased credit risk or due from related parties. For details, please refer to the section headed “Financial Information – Discussion of Certain Key Consolidated Balance Sheets Items – Accounts receivable”.

Other Income

Our other income decreased by 95.8% from RMB1.4 million in 2017 to RMB0.1 million in 2018, primarily due to (i) the decrease in our interest income from loan to a third party from RMB1.0 million in 2017 to zero in 2018, as we did not recognise any interest related to amounts due from third-parties; and (ii) the decrease in our government grants of RMB0.3 million, as the amount of government grants we received were determined by relevant local authorities and varied each year.

Other Gain – Net

Our other gain – net increased by 40.8% from RMB25.4 million in 2017 to RMB35.7 million in 2018, primarily due to (i) the increase in our foreign exchange gains of RMB6.5 million in 2018 as a result of the favourable changes in exchange rates; and (ii) an increase in the gain on fair value change of financial assets measured at FVPL of RMB3.9 million, primarily because of the gains on fair value movement of our investment in Mico. For details, please refer to the section headed “Business – Our Strategic Investment”.

Operating Profit

As a result of forgoing, our operating profit increased by 86.6% from RMB36.9 million in 2017 to RMB68.8 million in 2018.

FINANCIAL INFORMATION

Finance Costs – Net

Our finance costs remained relatively stable in 2017 and 2018.

Income Tax Expenses

The income tax expense we recorded increased by 85.0% from RMB4.8 million in 2017 to RMB8.9 million in 2018, which was generally in line with the increase in our profit before tax. Our effective tax rate remained relatively stable in 2017 and 2018.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 86.8% from RMB32.0 million for the year ended 31 December 2017 to RMB59.7 million for the year ended 31 December 2018. Our net profit margin, which represents profit for the year as a percentage of total revenues, increased from 17.6% in 2017 to 21.6% in 2018.

Year Ended 31 December 2017 Compared to Year Ended 31 December 2016

Revenue from Contracts with Customers

Our total revenue increased by 32.9% from RMB136.9 million in 2016 to RMB181.8 million in 2017, primarily due to an increase of RMB41.2 million and RMB3.8 million in revenues generated from our mobile advertising platform and related business and proprietary app traffic monetisation business, respectively.

Our revenue generated from mobile advertising platform and related business increased by 36.5% from RMB113.0 million in 2016 to RMB154.2 million in 2017, mainly due to the increase in revenue generated from our programmatic advertising service, which was partially offset by the decrease in revenue generated from our media buy service. Our SP service began to generate substantial revenues in 2017, which was primarily because the optimisation of performance-based user acquisition solutions for our advertisers boosted the efficiency of ad delivery and enabled us to attract more advertisers, and we recorded an increase in the average number of monthly ads delivered from 488.8 million in 2016 to 5,609.9 million in 2017 and an increase in the number of advertisers (ad agencies) connected and transacted from 59 in 2016 to 223 in 2017.

Our revenue generated from proprietary app traffic monetisation business increased by 15.8% from RMB23.9 million in 2016 to RMB27.7 million in 2017, driven by the increase in the number of users of our mobile apps from 397.3 million in 2016 to 476.6 million in 2017, which was mainly attributable to (i) the expansion of our business scale for mobile apps as we launched 62 new mobile apps, including 56 User System apps, such as Solo Cleaner and Droid Security; and (ii) the optimisation of existing User System apps, such as improving their cleaning and antivirus functions.

FINANCIAL INFORMATION

Cost of Revenue

Our cost of revenue increased by 69.0% from RMB65.9 million in 2016 to RMB111.5 million in 2017, primarily due to an increase in the cost of revenue for our mobile advertising platform and related business of RMB47.3 million, partially offset by a decrease in the cost of revenue for our proprietary app traffic monetisation business of RMB1.8 million.

Our cost of revenue for mobile advertising platform and related business increased by 84.1% from RMB56.3 million in 2016 to RMB103.6 million in 2017, primarily due to (i) an increase of RMB41.3 million in the cost for advertising placement as a result of the increase in the volume of advertisement placed for our customers; (ii) an increase in the server capacity expense of RMB3.5 million attributable to the growing number of servers we utilise to accommodate our business growth; and (iii) an increase in employee benefit expenses of RMB3.1 million to support our business growth.

Our cost of revenue for proprietary app traffic monetisation business decreased by 18.5% from RMB9.7 million in 2016 to RMB7.9 million in 2017, primarily due to the decrease of RMB0.4 million in related staff costs in 2017.

Gross Profit and Gross Profit Margin

Our overall gross profit decreased by 0.7% from RMB70.9 million in 2016 to RMB70.4 million in 2017. Our gross profit margin decreased from 51.8% in 2016 to 38.7% in 2017. The decrease in our gross profit margin was primarily because we reduced our media buy service, which had a higher gross profit margin compared with our programmatic advertising and related service and our proprietary app traffic monetisation business as we recognise the revenue from media buy service on a net basis, (see “Business – Business Operations – Mobile Advertising Platform Services – Media Buy Service”) while the gross profit from our programmatic advertising and related service, which had a relatively low gross profit margin, accounted for a higher proportion in our total gross profits as we reduced our media buy service. Despite the strategic reduction of our media buy service, our other services and businesses grew steadily. In particular, the gross profit margin of our proprietary app traffic monetisation business increased from 59.5% in 2016 to 71.5% in 2017, primarily because (i) the emergence of new apps, such as Solo Cleaner, Droid Security and Virus Scan, and the continuing optimisation and marketing of our existing apps enabled us to expand our user base and to enhance user stickiness, which resulted in a growth in our monetisation efficiency and profitability; and (ii) the cost of revenue for our proprietary app traffic monetisation business decreased as a result of the reduction in related staff costs for the daily operation of our mobile apps.

FINANCIAL INFORMATION

Selling and Marketing Expenses

Our selling and marketing expenses increased by 239.7% from RMB9.9 million in 2016 to RMB33.7 million in 2017, primarily because costs for advertising placement we incurred for marketing our proprietary apps in targeted markets increased substantially from RMB9.4 million in 2016 to RMB31.9 million in 2017, as (i) the number of apps we launched increased, especially in our User System sub-matrix, such as Solo Cleaner and Droid Security; and (ii) we carried out intensive marketing campaigns for our mobile apps in User System sub-matrix and we started to increase our spending on marketing our mobile apps in Games, Media & Entertainment and Fitness sub-matrices in 2017, which was in line with our business strategies accommodated to market demands.

Research and Development Expenses

Our research and development expenses increased by 344.5% from RMB2.6 million in 2016 to RMB11.5 million in 2017, primarily due to (i) the increase in research and development activities of our utilities apps; (ii) the growing number of technology and engineering talents, particularly as a result of our upgrading Solo Math Advertising Platform and the development of new types of apps; and (iii) the increase in the salaries of our technology and engineering talents to further strengthen our research and development capabilities.

General and Administrative Expenses

Our general and administrative expenses increased by 10.9% from RMB12.1 million in 2016 to RMB13.5 million in 2017, primarily due to the increase in employee and benefit expenses of RMB2.9 million, which was in line with our business growth.

Net Impairment Losses on Financial Assets

The net impairment loss on financial assets we recorded decreased by 84.4% from RMB10.1 million in 2016 to RMB1.6 million in 2017. The significant decrease in impairment loss from accounts receivable was primarily because (i) at an early stage of our business operations in 2016, we were primarily revenue-driven and focussed more on attracting new customers and generating revenues, and occasionally we may allow relatively lax collection periods towards certain customers after our assessment on their credibility; (ii) in 2016, one customer of our media buy business encountered financial difficulties and delayed its payment to us, with an outstanding balance of RMB23.9 million as of 31 December 2016, whereas RMB17.7 million was subsequently settled and the remaining balance of RMB6.2 million was fully impaired during the year ended 31 December 2016; and (iii) in view of the incident of delayed payments as mentioned, we further enhanced our accounts receivable collection management and established stricter credit policies from 2017. The impairment loss from other receivable in 2017 represents the full impairment of RMB250,000 on an amount due from a third party.

FINANCIAL INFORMATION

Other Income

Our other income increased by 70.0% from RMB0.8 million in 2016 to RMB1.4 million in 2017, primarily due to the increase in our interest income from loans to a third party entity of RMB1.0 million. We recorded interest income from loan to third parties of RMB1.0 million in 2017, primarily because we made loans of RMB20.0 million to Beijing Amphora with an interest rate of 10%. The loan was fully repaid in 2017.

Other Gain – Net

Our other gain – net increased by 31.9% from RMB19.2 million for the year ended 31 December 2016 to RMB25.4 million for the year ended 31 December 2017, primarily due to the increase in fair value gains of financial assets measured at FVPL of RMB8.6 million, partially offset by the increase in exchange loss of RMB2.9 million.

Operating Profit

As a result of foregoing, our operating profit decreased by 34.4% from RMB56.2 million in 2016 to RMB36.9 million in 2017.

Finance Costs – Net

Our net finance costs remained relatively stable in 2016 and 2017.

Income Tax Expenses

Our income tax expense decreased by 67.5% from RMB14.8 million in 2016 to RMB4.8 million in 2017, primarily due to the decrease in our profit before tax of RMB19.2 million. In 2017, NewBornTown Network Technology was approved as a High and New Technology Enterprise and subject to a preferential EIT rate of 15% pursuant to the EIT Law. As a result, our effective income tax rate decreased from 26.4% in 2016 to 13.0% in 2017.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 22.3% from RMB41.2 million for the year ended 31 December 2016 to RMB32.0 million for the year ended 31 December 2017. Our net profit margin, which represents profit for the year as a percentage of total revenues, decreased from 30.1% in 2016 to 17.6% in 2017.

FINANCIAL INFORMATION

DISCUSSION OF CERTAIN KEY CONSOLIDATED BALANCE SHEETS ITEMS

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

	As of 31 December			As of 30 June	As of 31 October
	2016	2017	2018	2019	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
					(Unaudited)
Current assets					
Accounts receivable	132,196	144,190	183,137	134,057	120,823
Other current assets	1,060	1,439	4,094	1,695	3,180
Other receivable	12,012	16,118	58,441	1,038	1,165
Financial assets measured at fair value through profit or loss	245,158	220,178	197,963	134,823	135,641
Cash and cash equivalents	79,139	71,987	80,628	105,780	62,708
Restricted bank deposits	392	849	894	898	922
Total current assets	469,957	454,761	525,157	378,291	324,439
Current liabilities					
Accounts payable	78,108	65,631	89,396	85,359	71,000
Other payable	4,680	5,491	9,086	79,164	15,479
Tax payable	533	143	143	4,479	5,411
Lease liabilities	2,934	3,124	2,999	1,370	1,370
Bank overdraft	255	249	88	44	77
Convertible redeemable preferred shares	–	–	–	18,210	18,210
Total current liabilities	86,510	74,638	101,712	188,626	111,547
Net current assets	383,447	380,123	423,445	189,665	212,892

As of 31 October 2019, we had net current assets of RMB212.9 million, which increased by 12.2% as compared to that as of 30 June 2019, primarily due to (i) the decrease in our other payable of RMB63.7 million, which was partially offset by the decrease in our cash and cash equivalents of RMB43.1 million, mainly as a result of our payment of share repurchase consideration to Haitong Kaiyuan and Haitong Xinxi; and (ii) the decrease in our accounts payable of RMB14.4 million.

FINANCIAL INFORMATION

As of 30 June 2019, we had net current assets of RMB189.7 million, which decreased by 55.2% as compared to that as of 31 December 2018, primarily due to (i) the decrease in our financial assets measured at FVPL, other receivable and accounts receivable of RMB63.1 million, RMB57.4 million and RMB49.1 million, respectively; and (ii) the increase in our other payable of RMB70.1 million, partially offset by the increase in our cash and cash equivalents of RMB25.2 million.

As of 31 December 2018, we had net current assets of RMB423.4 million, which increased by 11.4% as compared to that as of 31 December 2017, primarily due to the increase in accounts receivable of RMB38.9 million, the increase in other receivable of RMB42.3 million, partially offset by the decrease in the financial assets measured at FVPL of RMB22.2 million and increase in accounts payable of RMB23.8 million.

As of 31 December 2017, we had net current assets of RMB380.1 million, which decreased by 0.9% as compared to net current assets of RMB383.4 million as of 31 December 2016, primarily due to the decrease of RMB25.0 million in our financial assets measured at FVPL, partially offset by the decrease in accounts payable of RMB12.5 million, the increase in our accounts receivable of RMB12.0 million, and the increase in other receivable of RMB4.1 million.

Please refer to below for the analysis for certain key consolidated balance sheets items.

Goodwill

As of 31 December 2016, 2017 and 2018 and 30 June 2019, we recorded goodwill of RMB5.1 million, RMB4.7 million, RMB5.0 million and RMB5.0 million, respectively, in connection with our acquisition of Great Sailing in 2015.

	<u>As of 31 December</u>			<u>As of</u> <u>30 June</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Cost and carrying amount:				
As at 1 January	4,737	5,058	4,727	4,955
Currency translation differences	321	(331)	228	20
As at 31 December	<u>5,058</u>	<u>4,727</u>	<u>4,955</u>	<u>4,975</u>

FINANCIAL INFORMATION

We carry out annual impairment test on goodwill by comparing the recoverable amount to the carrying amount. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations by using the discounted cash flow method. The calculation used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the five-year period. The growth rates were estimated to be between 10% to 30%, between 10% to 25% and between 10% to 25% for the impairment tests performed on 31 December 2016, 2017 and 2018, respectively, while for the years beyond the five-year period, the estimated continued growth rate to perpetuity is 3%. The gross margins were estimated to be around 29% for the impairment tests performed at 31 December 2016, 2017 and 2018 respectively, with reference to our historical average gross margin. The present value of cash flows was calculated by discounting the cash flow using pre-tax discount rate of 20% which was estimated by using the weighted-average cost of capital (“WACC”) method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies, and the specific risk of our mobile advertising platform and related business.

The management reassessed the pre-tax discount rate to be used for goodwill impairment testing at each year end. Considering there was no material changes of the Group’s mobile advertising platform and related business and its capital structure, alongside that 20% is within a reasonable range of the appropriate discount rate to be used, the management has applied the same pre-tax discount rate to perform the goodwill impairment test throughout the Track Record Period. In addition, had the upper end of the reasonable range of the pre-tax discount rate being used, the recoverable amount would still exceed the carrying value.

Based on the impairment test performed, the recoverable amount was over the carrying amount more than 20 times as at 31 December 2016, 2017 and 2018 respectively, therefore our management determined such goodwill was not impaired as of 31 December 2016, 2017 and 2018. As of 30 June 2019, there was no indicator of impairment of goodwill.

We perform the sensitivity analysis based on the assumption that the pre-tax discount rate, gross margin, growth rate of revenue and the perpetual growth rate has been changed. Had the estimated key assumption during the forecast period been changed as below collectively, after incorporating the consequential effects of the change on the other variables used to measure the recoverable amount, the carrying amount would be approximately equal to the recoverable amount:

	As of 31 December		
	2016	2017	2018
Pre-Tax discount rate increase by	2%	2%	2%
Gross margin decrease by	5%	5%	5%
Growth rate of revenue decrease by	8%	4%	6%
Perpetual growth rate decrease by	1%	1%	1%

FINANCIAL INFORMATION

A reasonably possible change in key assumptions used in the impairment test of goodwill would not likely to cause the carrying amount to exceed the recoverable amounts as at 31 December 2016, 2017 or 2018. Please refer to Note 17 of the Accountant’s Report set out in Appendix I to this prospectus for more details.

Accounts Receivable

Our accounts receivable are invoiced amounts due from our customers for services performed in the ordinary course of business. For our media buy business, despite our revenue is recognised on a net basis, we record the receivable on gross basis, as we have no legally enforceable right to set off the bill from our suppliers against the bill to our customers. See “– Critical Accounting Policies, Judgements and Estimates – Revenue Recognition – Mobile advertising platform and related business” in this section for more details. During the Track Record Period, the settlement period agreed in the framework agreement is typically 30 to 45 days. See the section headed “Business – Customers and Suppliers – Customers” for further details of the invoicing and collection. Accounts receivable are classified as current assets if they are expected to be collected in one year or less. Otherwise, they are presented as non-current. The following table sets forth our accounts receivable as of the dates indicated:

	As of 31 December			As of 30 June
	2016	2017	2018	2019
	RMB’000	RMB’000	RMB’000	RMB’000
Current				
Gross carrying amount	144,153	156,741	202,852	154,717
Less: impairment provision	(11,957)	(12,551)	(19,715)	(20,660)
Total accounts receivable in current assets	132,196	144,190	183,137	134,057
Non-current				
Gross carrying amount	–	–	9,489	–
Less: impairment provision	–	–	(474)	–
Total accounts receivable in non-current assets	–	–	9,015	–
Total accounts receivable	132,196	144,190	192,152	134,057

FINANCIAL INFORMATION

The following table sets forth an aging analysis of our accounts receivable before impairment provision as of the dates indicated, based on the date of recognition, and the amounts subsequently settled as at the Latest Practicable Date:

	As of 31 December			As of 30 June	Subsequently settled as of the Latest Practicable Date	Unsettled as of the Latest Practicable Date
	2016	2017	2018	2019	Date	Date
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Up to 6 months	69,168	51,336	113,491	97,812	77,418	20,394
6 months to						
1 year	60,277	36,690	5,289	17,361	993	16,368
1 year to 2 years	14,708	61,670	28,901	5,072	248	4,824
2 year to 3 years	–	7,045	57,326	25,778	12,037	13,741
Over 3 years	–	–	7,334	8,694	–	8,694
	<u>144,153</u>	<u>156,741</u>	<u>212,341</u>	<u>154,717</u>	<u>90,696</u>	<u>64,021</u>

We apply the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable. Our impairment provision for accounts receivable consisted of (i) general provisions calculated based on the model required by IFRS 9 for accounts receivable due from third parties with regular payment schedule; and (ii) provisions for each individual balance of accounts receivable due from third parties with increased credit risk and accounts receivable due from related parties, which were determined with reference to the characteristics of credit risk. For details, see Note 3.1(b) of the Accountant's Report set out in Appendix I to this prospectus. We recorded total impairment provision of RMB12.0 million, RMB12.6 million, RMB20.2 million and RMB20.7 million as of 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

Our accounts receivable increased by 9.1% from RMB132.2 million as of 31 December 2016 to RMB144.2 million as of 31 December 2017, primarily because (i) the increase in our accounts receivable in line with our business expansion; (ii) the delay of payment from customers of our media buy business, mainly because at an early stage of our business operations in 2016, we were primarily revenue-driven and focussed more on attracting new customers and generating revenues, and for the purpose of maintaining business relationship, we may occasionally allow relatively lax collection periods towards certain customers after our assessment on their credibility. We adopted more stringent internal control measures on our

FINANCIAL INFORMATION

accounts receivable since 2017 to improve the quality and enhance the collection of our accounts receivable:

- Before we grant credit to our customers, our finance department assesses the credit worthiness of such customers by collecting and reviewing their information. For existing customers, we carry out checks from time to time by requesting the customers to provide operating and financial information to spot out any symptom of potential impairment, especially for our key customers.
- We grant credit periods and amounts to our customers based on the results of the credit assessment and designate specific personnel to track and monitor the performance of each contract.
- The designated personnel adopt various methods to ensure customers pay in a timely manner, including monthly statements, chasing letters, chasing phone calls and physical visits, if necessary.
- Any indicator of potential financial difficulties of the customers or any default of payment is reported to the supervisor of the designated personnel immediately for further action, including ceasing to provide further service and legal actions.

Our accounts receivable increased by 33.3% from RMB144.2 million in 2017 to RMB192.2 million in 2018, primarily due to an increase of RMB38.9 million and RMB9.0 million in our accounts receivable of current portion and of non-current portion, respectively. The increase in our accounts receivable was primarily because (i) the growth of our business resulted in an increase in our accounts receivable; (ii) customers of our media buy business demanded for longer payment period; and (iii) certain customers of our media buy business delayed the repayment of significant amounts, as discussed below.

Our accounts receivable decreased by 30.2% from RMB192.2 million in 2018 to RMB134.1 million as at 30 June 2019, primarily attributable to the repayment from customers of our media buy business, which was partially offset by the increase in outstanding balances from other customers with the growth of our business.

As of 30 June 2019, two customers of our media buy business caused outstanding balances of RMB34.8 million in our accounts receivable, on which we recorded an impairment provision of RMB6.7 million, as of 30 June 2019. On 31 December 2018, we entered into an agreement of payment schedule with a customer of our media buy business (“**Customer A**”), which is a company principally engaged in overseas advertising business and delayed the payment of an advertising service fee of US\$5.3 million (equivalent to RMB36.2 million as of 30 June 2019) to us. Pursuant to the payment agreement between us and Customer A, Customer A agreed to repay the amount in 16 monthly instalments from January 2019 to April 2020 with most of the instalments amounting to US\$0.35 million. As an amount of RMB9.5 million included in total receivable will be settled in 2020, we classified such balance as non-current assets as of 31 December 2018. As of the Latest Practicable Date, US\$3.5 million (equivalent

FINANCIAL INFORMATION

to approximately RMB24 million), representing 65.5% of the total scheduled payment amount, was subsequently settled in accordance with our payment schedule with Customer A. To the best knowledge of and the information available to our Directors, our Directors are given to understand the financial situation of the customer has improved, and it is able to repay the remaining balance in accordance with the payment agreement. In this connection, we recorded an impairment provision of RMB1.2 million on the outstanding balance due from Customer A as of 30 June 2019.

As of 30 June 2019, the outstanding balance due from another customer of our media buy business (“**Customer B**”) was approximately RMB10.8 million. Customer B is principally engaged in the operation of online automotive trading platform. Since Customer B did not make the payment according to the credit term agreed, our Directors considered Customer B as the one with increased credit risk and our Directors also considered the then arbitration with Customer B, Customer B’s certain shareholders with strong financial resources and the likelihood of the improvement in Customer B’s performance after its recent business restructuring. In light of the foregoing, we applied the individual identification method for the impairment assessment and have provided an impairment provision of approximately RMB5.5 million, representing 50.9% of the outstanding amount as of 30 June 2019.

On 14 August 2019, we entered into a payment schedule with Customer B, pursuant to which, Customer B agreed to repay the outstanding balances in 19 instalments from August 2019 to December 2020 with seven instalments amounting to RMB5.5 million due in 2019 and 12 instalments amounting to RMB5.4 million due in 2020. Pursuant to the payment schedule, if Customer B fails to repay the seventh instalment of RMB5.2 million before 31 December 2019 in full, but the amount repaid for the seventh instalment exceeds RMB1.0 million, we agree that the repayment of the remaining balances of the seventh instalment could be deferred to no later than 31 December 2020. On the same day, the arbitral authority issued a Mediation Order, pursuant to which we shall recover all the amounts under the payment schedule and are entitled to apply for legal enforcements in the circumstances of Customer B’s breach of the payment schedule. As of the Latest Practicable Date, RMB0.3 million, accounting for 2.3% of the outstanding balances due from Customer B as of 30 June 2019, was subsequently settled in accordance with our payment schedule with Customer B.

The outstanding accounts receivable as of 30 June 2019 aging over one year of RMB39.5 million, mainly represents (i) amount due from Customer A of approximately RMB23.9 million, as mentioned above; and (ii) amounts due from various customers of approximately RMB10.9 million, on which we have made full impairment provision as of 30 June 2019.

FINANCIAL INFORMATION

The following table sets forth our accounts receivable turnover days for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	Accounts receivable turnover days ⁽¹⁾	109	203	158	162
– Media buy business ⁽²⁾	116	464	306	292	N/A ⁽²⁾
– Non-media buy business	92	55	69	74	84

Note:

- (1) Accounts receivable turnover days equal the average of the beginning and ending balance of accounts receivable for the period divided by revenue recognised on gross basis for both mobile advertising platform and related business and proprietary app traffic monetisation business for the relevant period, and multiplied by the number of days in the relevant period.
- (2) No information of accounts receivable turnover days for media buy business for the six months ended 30 June 2019 is presented due to anomalous result.

Our accounts receivable turnover days remained relatively stable for the six months ended 30 June 2018 and 2019. Our accounts receivable turnover days decreased from 203 days in 2017 to 158 days in 2018, primarily due to (i) our enhanced collection management efforts; (ii) our stricter credit policies to grant credit terms to customers with good credit worthiness only; and (iii) our stronger bargaining power in negotiating favourable credit terms with our customers due to our improved services and enlarged business scale. Our accounts receivable turnover days increased from 109 days in 2016 to 203 days in 2017, primarily because (i) customers of our media buy business demanded for longer credit terms; and (ii) the significant and long outstanding balance from Customer A in media buy business as discussed above.

Accounts receivable turnover days of our media buy service experienced significant fluctuations during the Track Record Period, primarily attributable to our reduction of such service. See “Business – Business Operations – Mobile Advertising Platform Services – Media Buy Service”. In the six months ended 30 June 2019, we further reduced our media buy service, and the revenue we recorded for such service for the six months ended 30 June 2019 was at a minimal level, while the outstanding balance of our accounts receivable due from media buy customers were still relatively large as a result of long-aged balances, resulting in anomalous result of accounts receivable turnover days for the six months ended 30 June 2019.

FINANCIAL INFORMATION

Excluding the accounts receivable relating to media buy business, the accounts receivable turnover days of our non-media buy business decreased from 92 days in 2016 to 55 days in 2017, primarily because revenue from our non-media buy business increased and resulted in a decrease in our accounts receivable turnover days in 2017. The accounts receivable turnover days of our non-media buy business remained relatively stable in 2017 and 2018, and for the six months ended 2018 and 2019.

As of the Latest Practicable Date, RMB90.7 million of our accounts receivable, accounting for 58.6% of our accounts receivable as of 30 June 2019, were subsequently settled. In particular, RMB13.9 million, accounting for 27.1% of our accounts receivable of media buy service as of 30 June 2019, was subsequently settled. The outstanding accounts receivable of media buy service of RMB37.5 million as of 30 June 2019, which was unsettled as of the Latest Practicable Date, mainly represents (i) the outstanding balances due from Customer A and Customer B of RMB23.1 million, with which we have entered into payment schedule agreements as discussed above; and (ii) amounts due from various customers of approximately RMB10.9 million, on which we have made full impairment provisions as of 30 June 2019.

Other Current Assets

Our other current assets consisted of (i) deductible input value-added-tax; and (ii) prepayments to suppliers, including the prepaid amounts of listing expenses, costs for advertising placement, rents, internet service fees and other office expenses. The following table sets forth our other current assets as of the dates indicated:

	As of 31 December			As of 30 June
	2016	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Prepayment to suppliers	1,060	1,425	4,094	1,695
Deductible input value-added tax	–	14	–	–
Total	1,060	1,439	4,094	1,695

Our prepayments to suppliers increased from RMB1.4 million in 2017 to RMB4.1 million in 2018, primarily due to the increase in expenses related to our business operation, i.e. costs for advertising placement for our mobile advertising platform and related business.

Our prepayments to suppliers decreased from RMB4.1 million as of 31 December 2018 to RMB1.7 million as of 30 June 2019, primarily due to the decrease in prepayments for our media buy service, which was in line with the reduction of our media buy service.

FINANCIAL INFORMATION

Other Receivable

Our other receivable primarily consisted of (i) amounts due from related parties, representing collection on behalf of our Group through relevant parties; and (ii) amounts due from other parties, primarily including loans to third-party entities, collection on behalf of our Group through relevant parties, security deposits and petty cash. The following table sets forth a breakdown of our other receivable as of the dates indicated:

	As of 31 December			As of
				30 June
	2016	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
From related parties	–	–	10,846	–
– Collection on behalf of our Group by our Directors (Liu Chunhe, Li Ping and Wang Kui)	–	–	10,846	–
From other parties	12,012	16,118	47,595	1,038
– Loans to Mico	–	12,500	36,240	–
– Collection on behalf of our Group by Mobile Alpha and West Street Technology	–	–	7,282	–
– Loan to a third party	10,000	–	–	–
– Others	2,012	3,618	4,073	1,038
Total	<u>12,012</u>	<u>16,118</u>	<u>58,441</u>	<u>1,038</u>

Our other receivable increased from RMB12.0 million as of 31 December 2016 to RMB16.1 million as of 31 December 2017 primarily due to an interest-free loan of RMB12.5 million granted to Mico, which was partially offset by the repayment of loan granted to one third-party entity of RMB10.0 million.

Our other receivable increased from RMB16.1 million as of 31 December 2017 to RMB58.4 million as of 31 December 2018, primarily due to (i) increase in interest-free loans of RMB23.7 million granted to Mico; and (ii) increase in the amount of RMB18.1 million collected on behalf of our Group by relevant parties, see section headed “Business – Certain Settlement Arrangements” in this prospectus for details.

FINANCIAL INFORMATION

Our other receivables decreased from RMB58.4 million as of 31 December 2018 to RMB1.0 million as of 30 June 2019, primarily due to the settlement of (i) the amount collected on behalf of our Group by our Directors of RMB10.8 million and by Mobile Alpha and West Street Technology of RMB7.3 million; and (ii) loans to Mico of RMB36.2 million.

In 2016, we made a loan of RMB10.0 million to the third-party entity as mentioned above, which was repaid in full in 2017. In 2017, we made an interest-free loan of RMB5.0 million to Beijing Duanji, in which we had an equity interest of 17.9%. Beijing Duanji subsequently repaid the loan in 2017. In 2017, we also granted loans of RMB20.0 million in aggregate with interest rate of 10% to Beijing Amphora, an affiliate of one of our Shareholders, which were repaid in full in the same year. In 2017 and 2018, we also made several interest-free loans of RMB39.7 million in aggregate to Mico, which were fully settled in March 2019.

As advised by our PRC Legal Adviser, unauthorised lending activities engaged by enterprises are prohibited under the General Lending Provisions (《貸款通則》) promulgated by the People's Bank of China (“PBOC”) on 28 June 1996. PBOC may impose a fine ranging from one to five times of the income from non-compliant lending activities. As the General Lending Provisions are not laws published by the National People's Congress of the PRC and/or its Standing Committee or regulations published by the State Council, our loans to Beijing Amphora, Mico and the third-party entity are not in violation of PRC laws and administrative regulations, as advised by our PRC Legal Adviser.

In addition to that, as advised by our PRC Legal Adviser, the Supreme People's Court of the PRC has conditionally affirmed the validity of the loan agreements between enterprises by issuing the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the “Provisions”), which became effective on 1 September 2015. According to the Provisions, (i) except under the circumstances as set forth in Article 52 of the PRC Contract Law (《中華人民共和國合同法》) or Article 14 of the Provisions, the people's court shall support a claim for the validity of a private lending contract signed as required for production or business operation among enterprises and other organisations; and (ii) the people's court shall support the claim by the lender for the payment of the interests under the lending contract where the annual interest rate does not exceed 24%.

On the basis above, and given that (i) the loan agreements did not involve the circumstances as set forth in Article 52 of the PRC Contract Law or Article 14 of the Provisions and the annual interest rates were within the scope allowed by the Provisions; (ii) the principal and interests of the loan between us and Beijing Duanji were settled in February 2017, the principal and interests of the loan between us and the third party entity were settled in June 2017; the principal and interests of the loan between us and Beijing Amphora were settled in December 2017; and the principal and interests of the loan between us and Mico was settled in March 2019; (iii) the loans are incidental events, and do not constitute our main business or the main profit source of us, and as of the Latest Practicable Date, we had not received any notice or administrative penalty from the regulatory authorities (including the PBOC) against the loans and no disputes had arisen from the loan, our PRC Legal Adviser is of the view that

FINANCIAL INFORMATION

(i) the loan agreements are protected by PRC law in judicial practice and the terms of the loan agreements are valid and enforceable; (ii) the risk that the PBOC will impose any penalty on us regarding the loans is low; and (iii) the loans are not in violation of PRC laws and administrative regulations and does not constitute significant non-compliance under PRC law.

Financial Assets Measured at FVPL

The following table sets forth our financial assets measured at FVPL as of the dates indicated:

	As of 31 December			As of 30 June
	2016	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Current				
Investment in wealth management products	245,158	220,178	197,963	134,823
Non-current				
Investment in equity interests				
in private companies:	25,134	41,485	66,518	187,868
– Mico	23,100	39,100	63,700	184,800
– Beijing Amber Creative	1,834	2,385	2,818	3,068
– Chongqing Small World	200	–	–	–
Total	270,292	261,663	264,481	322,691

Current Portion

The current portion of our financial assets measured at FVPL represent the wealth management products we invested. These investments mainly include non-principal-guaranteed commercial bank wealth management products and funds issued by major and reputable financial institutions in the PRC, with expected rates of return ranging from 2.4% to 4.2%, 2.4% to 4.8%, 2.7% to 7.5% and 2.7% to 4.8% per annum for the years ended 31 December 2016, 2017 and 2018 and for six months ended 30 June 2019, respectively. Save for disclosed in the notes of below table, our wealth management products were not backed by any

FINANCIAL INFORMATION

collateral or guarantee. The following table sets forth a breakdown of our wealth management products by underlying assets and remaining maturity for the dates indicated:

	As of 31 December			As of 30 June
	2016	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<i>Fixed-income assets</i> ⁽¹⁾				
Redeemable on demand	19,893	17,852	120,857	36,107
Up to 1 months	30,715	66,247	8,147	1,698
1 to 3 months ⁽²⁾	194,550	117,203	23,925	18,061
Over 3 months ⁽³⁾	–	9,762	–	–
Subtotal	245,158	211,064	152,929	55,866
<i>Mixed assets</i> ⁽⁴⁾				
Up to 1 months	–	1,840	–	–
1 to 3 months	–	–	45,035	78,957
Subtotal	–	1,840	45,035	78,957
<i>Equities</i> ⁽⁵⁾				
Redeemable on demand	–	7,274	–	–
Total	245,158	220,178	197,963	134,823

Notes:

- (1) The wealth management products based on fixed-income assets were designated to invest in low-risk fixed-income financial instruments, including (i) money market instruments, such as bank deposits, central bank notes and interbank financial instruments; and (ii) other debt securities, such as government debts and corporate bonds.
- (2) The balance of RMB23.9 million as of 31 December 2018 represented investments in float-rate notes rated BBB by S&P Global Ratings, the principal of which was guaranteed by China International Capital Corporation (Hong Kong) Limited.
- (3) The balance of RMB9.7 million as of 31 December 2017 represented investments in a debt fund, the principal of which was guaranteed by China International Capital Corporation (Hong Kong) Limited.
- (4) The wealth management products based on mixed assets were designated to invest in a combination of (i) fixed-income assets, such as deposits, bonds and commercial notes; (ii) equity assets, such as private-equity funds; and (iii) financial derivatives, such as futures, swaps and forward contracts. The risk of such wealth management products were generally higher than that of the products based on fixed-income assets, while our Directors consider such products we purchased were still of low risk based on our internal risk assessment as described below in this section.
- (5) The wealth management products based on equities were mainly designated to invest in equity assets and were generally assumed with relatively higher risks.

FINANCIAL INFORMATION

The balance of current portion of our financial assets at FVPL was RMB245.2 million, RMB220.2 million, RMB198.0 million and RMB134.8 million as of 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. The decrease in the current portion of our financial assets measured at FVPL was primarily due to the maturity of our wealth management products.

As part of our treasury management, we have purchased wealth management products as an supplemental mean to improve the utilisation of our cash on hand on a short-term basis. We have established a set of investment policies and internal control measures to achieve reasonable returns on our investments of wealth management products while mitigating our exposure to investment risks. These policies and measures include:

- investments shall be made when we have surplus cash that is not required for our short-term working capital purposes;
- the types of investments shall be generally very low risk or low risk wealth management products issued by qualified commercial banks;
- investments shall generally be short-term and of a non-speculative nature in order to maintain our liquidity and financial flexibility;
- we only purchase wealth management products issued by creditworthy commercial banks and/or other qualified financial institutions, and in any given period, we make investments in products provided by multiple issuers to mitigate concentration risks;
- our finance department, subject to the review and approval of our management, is responsible for the overall execution of our investments, including risk assessment. In particular, for wealth management products based on fixed-income assets, we carry out risk assessment based on the amounts of principal, maturity dates, the qualification of product managers, the reputation of sales agency, the underlying assets, the expected rates of return and the review of terms and conditions of the products; we mainly consider the underlying assets and the historical performance of the product managers when assessing the risks of wealth management products based on equity assets; and the risk assessment of products based on mixed assets involves all aforementioned factors;
- any proposed investment in wealth management products is subject to a feasibility study prepared by our internal accounting manager, who has more than eight years of working experience in finance and accounting and has been conferred by the Ministry of Human Resources and Social Security and the Ministry of Finance of the PRC jointly as an intermediate accountant in 2017. The feasibility study comprises an analysis of the amounts of principal, rates of return, the investment period of each individual product and the maturity matching of portfolios where applicable. The proposal with the feasibility study is reviewed by our financial director, Ms. Lyu Xiaonan and our chief financial officer, Mr. Wang Kui, and will then be submitted to our chief executive officer, Mr. Liu Chunhe, for final review and approval. Please see “Directors and Senior Management” for the relevant experiences and qualification of Ms. Lyu, Mr. Wang and Mr. Liu;

FINANCIAL INFORMATION

- our internal accounting manager monitors the performance of the invested wealth management products and ensures that the relevant contract is not breached. Our internal accounting manager from time to time checks and reviews information related to the invested wealth management products, such as operational and financial conditions of the issuers, any punishments or penalties imposed by regulatory authorities, changes in the market value, rate of return and credit ratings (if available) of the issuers and/or the products. Any significant or adverse fluctuation in the invested wealth management products shall be reported to our chief financial officer in a timely manner;
- our finance director consolidates the cash demands of all subsidiaries and each department of our Group on a weekly and monthly basis, determines whether our cash at hand can satisfy our cash demands within the next 30 days, and prepares cash budgets, which includes the investment of idle funds. On occurrence of unplanned large-sum cash outflows, or due to any significant adverse fluctuation in the invested products, our internal accounting manager may propose to dispose or redeem some of our wealth management products. Such proposal is subject to the review and approval by Ms. Lyu, Mr. Wang and Mr. Liu; and
- upon the maturity dates of each investment, our internal accounting manager shall be responsible for the redemption and disposal of the investments according to the relevant contracts.

Non-current Portion

Our financial assets measured at FVPL of non-current portion represent our strategic investments in private companies, primarily including the equity interest in Beijing Duanji as of 31 December 2016 and the equity interest in Mico as of 31 December 2017 and 2018 and 30 June 2019. We acquired an equity interest of 17.9% in Beijing Duanji for a consideration of RMB17.9 million in May 2016. Beijing Duanji was merged with Mico in May 2017, after which we held an equity interest of 8.95% in Mico. The equity interest in Mico was later increased to 16.77% as a result of our further investment of RMB100.0 million in March 2019. Our strategic investments in private companies also include a 3% equity interest in Beijing Amber Creative, which is a limited liability company incorporated in the PRC on 10 August 2015 mainly engaging in the development and operation of mobile weather apps. We acquired such equity interest in October 2015 at the consideration of RMB0.75 million. Our financial assets measured at FVPL of non-current portion was RMB25.1 million, RMB41.5 million, RMB66.5 million and RMB187.9 million as of 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. The increase was primarily due to the fair value gain we recognised in the valuation of our equity investments.

Mico is principally engaged in the business related to mobile video and live streaming platform. See “Business – Our Strategic Investments” for more information, including Mico’s business model and our reasons for investing in Mico.

FINANCIAL INFORMATION

Cash and Cash Equivalents

The following table sets forth a breakdown of our cash and cash equivalents as of the dates indicated:

	As of 31 December			As of 30 June
	2016	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Cash at hand	–	–	–	499
Bank deposits at call	78,860	71,363	79,821	104,390
Cash in a payment platform	279	624	807	891
Total	79,139	71,987	80,628	105,780

Restricted Bank Deposits

Our restricted bank deposits mainly comprised of guarantee for bank overdraft, which was the security deposits for our credit card account at HSBC. The following table sets forth a breakdown of our restricted bank deposits as of the dates indicated:

	As of 31 December			As of 30 June
	2016	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Restricted bank deposits	392	849	894	898

Accounts Payable

Our accounts payable primarily represent liabilities for goods and services provided to us prior to the end of financial year which are unpaid. Our accounts payable are presented as current liabilities unless payment is not due within 12 months after the reporting period. Accounts payable are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. During the Track Record Period, our suppliers generally granted credit terms of 30 days to us. The following table sets forth our accounts payable as of the date indicated:

	As of 31 December			As of 30 June
	2016	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Accounts payable	78,108	65,631	89,396	85,359

FINANCIAL INFORMATION

As of the Latest Practicable Date, RMB62.1 million of accounts payable, accounting for 72.8% of our total accounts payable as of 30 June 2019, were subsequently settled.

Our accounts payable decreased by 16.0% from RMB78.1 million as of 31 December 2016 to RMB65.6 million as of 31 December 2017. The decreases were primarily because of the acceleration of payments to our suppliers so that we can remain competitive in acquiring quality services from them.

Our accounts payable increased by 36.2% from RMB65.6 million as of 31 December 2017 to RMB89.4 million as of 31 December 2018, primarily because of the increase in our cost for advertising placement and server capacity expense to support the rapid expansion of our business, which, in turn, was consistent with our business growth.

Our accounts payable decreased by 4.5% from RMB89.4 million as of 31 December 2018 to RMB85.4 million as of 30 June 2019, primarily due to the decrease in the accounts payables of our media buy service as we reduced such service and paid corresponding amounts to our suppliers, partially offset by the increase in (i) payables for our proprietary app traffic monetisation business, primarily comprising costs for advertising placements; and (ii) listing expense payable.

The following table sets forth an aging analysis of our accounts payable as of the date indicated, based on the invoice date:

	As of 31 December			As of
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 3 months	70,432	36,720	63,213	53,330
3 to 6 months	3,606	4,882	5,863	4,758
6 months to 1 year	3,207	14,797	2,158	8,519
1 to 2 years	757	8,433	10,163	5,102
2 to 3 years	106	699	7,160	11,092
More than 3 years	–	100	839	2,558
	<u>78,108</u>	<u>65,631</u>	<u>89,396</u>	<u>85,359</u>

FINANCIAL INFORMATION

The following table sets forth the accounts payable turnover days for the period indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
				(Unaudited)	
Accounts payable turnover days ⁽¹⁾	<u>120</u>	<u>112</u>	<u>80</u>	<u>69</u>	<u>139</u>

Note:

- (1) Accounts payable turnover days equal the average of the beginning and ending balance of accounts payable for the period divided by cost of revenue (including billing of suppliers of our media buy business), and selling and marketing expenses for the relevant period, and multiplied by the number of days in the relevant period.

Our accounts payable turnover days remained relatively stable in 2016 and 2017. Our accounts payable turnover days decreased from 112 days in 2017 to 80 days in 2018, primarily because we accelerated payments to suppliers so we can remain competitive in acquiring quality services from them.

Although the cost of revenue (including billing of suppliers) of our media buy service decreased by RMB66.8 million, we recorded an increase in our accounts payable turnover days from 69 days in the first half of 2018 to 139 days in the first half of 2019, mainly because we slowed down the payment to the suppliers of such service due to the long outstanding balances due from our customer.

Other Payable

Our other payables consisted of (i) consideration payable, which primarily represents share repurchase consideration to be paid to Haitong Kaiyuan and Haitong Xinxi, pursuant to the share purchase agreements we entered into on 26 June 2019; (ii) employee benefits payable; (iii) refundable advances from customers; (iv) other tax payables, including miscellaneous taxes; and (v) other payable. Our other payable are unsecured and are usually

FINANCIAL INFORMATION

paid within one year of recognition. The following table sets forth our other payable as of the date indicated:

	As of 31 December			As of 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Consideration payable	–	–	–	60,000
Accrued listing expense	–	–	–	10,770
Employee benefits payable	3,754	4,274	4,723	5,925
Refundable advances from customers	338	341	3,601	298
Other tax payables	476	334	281	2,050
Others	112	542	481	121
	<u>4,680</u>	<u>5,491</u>	<u>9,086</u>	<u>79,164</u>

Our other payable increased by 65.5% from RMB5.5 million in 2017 to RMB9.1 million in 2018, primarily due to the increase of RMB3.3 million in our refundable advances from customers.

Our other payable increased from RMB9.1 million as of 31 December 2018 to RMB79.2 million as of 30 June 2019, primarily due to the increase of RMB60.0 million in our consideration payable and RMB10.8 million in our accrued listing expense. On 26 June 2019, we entered into share purchase agreements to repurchase 5,622,349 shares of our Company at a consideration of RMB30,000,000 from each of Haitong Kaiyuan and Haitong Xinxi. The consideration payable of RMB60.0 million in aggregate was fully settled on 9 July 2019. For details, see Note 29 of the Accountant's Report set out in Appendix I to this prospectus.

Lease Liabilities

Our lease liabilities represent the obligation to make future payments in relation to the lease of our office building. Our lease liabilities remained relatively stable in the Track Record Period.

Convertible Redeemable Preferred Shares

Our convertible redeemable preferred shares of RMB18.2 million as of 30 June 2019 primarily represent 2,078,286 preferred shares, accounting for approximately 0.83% of the then equity interest in the Company. Such preferred shares is held by CHUANGQI INTERNATIONAL LIMITED (“CHUANGQI”), an affiliate of China Fuqiang, and is redeemable by the Company. The abovementioned preferred shares shall be converted into

FINANCIAL INFORMATION

ordinary shares at the option of CHUANGQI at any time, or automatically be converted into ordinary shares, at the conversion price upon the earlier of (i) the closing of a Qualified IPO; and (ii) the prior written approval of the majority of preferred shareholders. The maximum number of shares can be converted would be 2,078,286 and after the conversion, and there would be no change in the shareholding ratios of each shareholder.

Upon the occurrence of certain events stipulated in the shareholders' agreement, including (i) the Group does not achieve a Qualified IPO (“QIPO”) or a qualified acquisition before 31 May 2020; (ii) the Company materially breaches the shareholder agreement; (iii) Mr. Liu Chunhe does not continue to be an actual manager of the Company; (iv) any of the investment holding companies of the founders and the Company materially breaches law; (v) the Company or Newborn Town International or any related party performs capital occupation or transaction or guarantees which have material adverse impact on a QIPO or a qualified acquisition; (vi) a QIPO is not satisfied but the Company or Mr. Liu Chunhe insists to proceed with an IPO, unless otherwise agreement by all Directors; (vii) when the Company meets the IPO conditions of CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, the Stock Exchange, New York Stock Exchange or Nasdaq, Mr. Liu Chunhe does not agree to proceed with an IPO; and (viii) auditors issued qualified opinion in auditors' report which have material adverse impact on a QIPO, CHUANGQI shall have the right to require and demand the Company to redeem all or any portion of the Company's preferred shares it holds, and the Company shall redeem these preferred shares at a per share price equal to investment price paid by the CHUANGQI plus un compounded internal rate of return (“IRR”) of 10%, including cash dividend paid to CHUANGQI if applicable, within 120 days from the date of the redemption notice given to the Company. Considering the relatively low redemption cost of approximately RMB11.2 million (calculated based on the latest redemption date, 31 May 2020, to reflect the maximum exposure) and our current adequate liquidity resources, our Directors believe if CHUANGQI requires an early redemption of the abovementioned preferred shares, there would be no material impact on our cash flow and cash position. Please refer to Note 26 of the Accountant's Report set out in Appendix I for details of the key terms of the preferred shares and “Financial Information – Liquidity and Capital Resources” for more details of the liquidity condition of our Group.

(Accumulated Loss)/Retained Earnings

At the beginning of the Track Record Period, we recorded an accumulated loss of RMB110.4 million, representing net losses incurred in previous years as we spent significant amounts on intensive marketing at an early stage of our businesses and services, while it took time for us to acquire users and to enhance user stickiness for our services before we were able to generate enough revenue to cover such initial costs. We mainly cooperated with mobile advertising platforms to market our apps through delivering ads in a variety of formats, including banner ads and native ads, in third-party apps and on the global largest social media platform. Throughout the intensive campaigns, we recorded over 66.9 million downloads of our mobile apps in 2015. However, at an early stage of our proprietary app traffic monetisation business, our efforts in marketing activities did not directly and effectively lead to a significant improvement in our monetisation efficiency and in turn, the financial performance, mainly

FINANCIAL INFORMATION

because (a) the number of our mobile apps was limited in 2015; and (b) it took time for the us to efficiently adapt to the ecosystem of the monetisation channels to monetise our user base. While such expenses resulted in a loss in 2015, the promotion efforts boosted the popularity of our mobile apps and brand name, for example, we were recognised as a “Top Developer” with one of the “Best Apps of 2015” by Google Play.

Prior to the Track Record Period, since the launch of our first mobile app, Solo Launcher, in May 2013, we mainly developed and operated our apps in User System sub-matrix. With the success of our mobile apps around the world, we accumulated a larger user base, leveraging which we started to build our mobile advertising platform and launched our SFP service in October 2014. In the second half of 2015, we further launched our media buy service thereby taking advantage of the then current favourable market conditions. During the Track Record Period, we enriched our Solo X product matrices by extensively developing and operating apps in our Media & Entertainment, Fitness and Games sub-matrices accommodating to the market demands. We further launched our SP service in 2016 and SAX service in 2018. As a result of the above, our total revenue increased year by year prior and during the Track Record Period.

We transitioned into a net profit of RMB41.2 million in 2016, as (i) our growing programmatic mobile advertising platform service, in particular, our SFP and SP service, provided us with increasing gross profits; (ii) the revenue and profits generated from our media buy service, which was launched in September 2015, increased substantially due to favourable market conditions; and (iii) we spent less on marketing activities, as our Directors believe that after the successful brand building in 2015, we should focus more on improving the efficiency in user acquisition by optimising the promotion plans accommodated to the ad delivery algorithms of leading advertising platforms, and mobile apps monetisation by enhancing the technical capacities to manage the utilisation of our ad spaces.

We continued to make profits during the Track Record Period, which has fully covered our accumulated loss during the year ended 31 December 2018. Please refer to “– Period-to-Period Comparison of Results of Operations” for reasons of the improvement of our financial performance. Although our products and services have achieved a global reach in recent years, we may not be able to sustain our historical growth rate in a rapidly evolving industry due to limited history. If we fail to address any of the risks and difficulties that we face, our business may suffer, our revenue may decline and we may not be able to achieve further growth or long-term profitability. See “Risk Factors – Our Solo X product matrix and Solo Math mobile advertising platform are relatively new and our limited operating history makes it difficult to forecast our business performance and prospects” for more details.

WORKING CAPITAL

We intend to finance our working capital with cash generated from our operations, the proceeds from the listing, bank loans and other funds raised from capital markets from time to time. During the Track Record Period and up to the Latest Practicable Date, we financed our working capital requirements principally from cash generated from our operating activities and capital injections from our shareholders.

FINANCIAL INFORMATION

Our Directors are of the view that, taking into account the proceedings from the listing (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below HK\$1.40, being the low end of the Offer Price range), our cash and cash equivalents and our anticipated cash flows from operations, we have sufficient working capital for our present requirements and for at least for the next 12 months following the date of this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth a summary of our cash flows for the years indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(Unaudited)	
Net cash (outflow)/inflow from operating activities	(57,172)	(16,154)	1,678	(12,523)	125,804
Net cash (outflow)/inflow from investing activities	(52,396)	34,585	4,571	68	1,175
Net cash inflow/(outflow) from financing activities	146,710	(20,787)	(3,343)	(1,655)	(102,277)
Net increase/(decrease) in cash and cash equivalents	37,142	(2,356)	2,906	(14,110)	24,702
Cash and cash equivalents at the beginning of the year/period	37,838	78,884	71,738	71,738	80,540
Effects of exchange rate changes on cash and cash equivalents	3,904	(4,790)	5,896	411	494
Cash and cash equivalents at end of year/period	78,884	71,738	80,540	58,039	105,736

Net Cash (Outflow)/Inflow from Operating Activities

Our cash inflow from operating activities consists primarily of revenue from our mobile advertising platform and related service and the monetisation of user traffic sourced from our own mobile apps. Our cash outflow from operating activities consists primarily of purchase of advertising traffic, staff costs, promotion expenses and general and administrative expenses. Cash inflow from operating activities reflects (i) our profit or loss before tax adjusted for

FINANCIAL INFORMATION

non-cash and non-operating items, such as depreciation and amortisation, net impairment losses on financial assets and fair value changes of financial assets measured at FVPL; and (ii) the effects of changes in our operating assets and liabilities.

For the six months ended 30 June 2019, our net cash inflow from operating activities was RMB125.8 million. This net cash inflow was primarily attributable to our profit before tax of RMB20.5 million, as adjusted for (i) non-cash items, principally comprising RMB36.8 million of the share-based compensation expense; (ii) changes in operating assets and liabilities, principally comprising (a) a decrease in accounts receivable of RMB58.6 million as a result of our internal control and collection efforts; (b) a decrease in other receivable of RMB21.5 million primarily attributable to the decrease in amounts of collection on behalf of our Group; and (c) an decrease in accounts payable of RMB4.1 million, primarily due to our reduction of media buy service and the repayment of outstanding balances to our suppliers. Compared with the net cash outflow of RMB12.5 million for six months ended 30 June 2018, our net cash inflow increased for the six months ended 30 June 2019, which was primarily because (i) the further expansion of our proprietary app traffic monetisation business enabled us to generate more cash inflows; and (ii) we recovered significant accounts receivable due from our customers as a result of our collection efforts and the fact that we granted new credits strictly according to our internal control policies. See “– Discussion of Certain Key Consolidated Balance Sheet Items – Accounts Receivable” in this section for more details.

For the year ended 31 December 2018, our net cash inflow from operating activities was RMB1.7 million. This net cash inflow was primarily attributable to our profit before tax of RMB68.6 million, as adjusted for (i) non-cash items, principally comprising RMB31.7 million in fair value gain of financial assets measured at FVPL, see “– Discussion of Certain Key Consolidated Balance Sheets Items – Financial Assets Measured at FVPL” in this section, RMB4.5 million in depreciation and amortisation, RMB7.0 million in net impairment losses on financial assets and RMB4.0 million in exchange gain; and (ii) changes in operating assets and liabilities, principally comprising an increase in (a) accounts receivable of RMB48.2 million, see “– Discussion of Certain Key Consolidated Balance Sheets Items – Accounts Receivable” in this section for more details; and (b) other receivable of RMB16.1 million primarily attributable to the increase in amounts of collection on behalf of our Group, see “Business – Certain Settlement Arrangements” for more details, partially offset by an increase in accounts payable of RMB20.6 million as a result of our growing cost for advertising placement and server capacity expense to support the rapid expansion of our business. We transitioned from negative operating cash flow in 2017 to positive operating cash flow in 2018, primarily due to (i) a large increase in our profit before income tax as a result of our continuous business growth and improved profitability; (ii) an increase in our accounts payable because of the increase in our cost for advertising placement and server capacity expense to support the rapid expansion of our business, which, in turn, was consistent with our business growth; and (iii) our enhanced accounts receivable collection management, see “– Discussion of Certain Key Consolidated Balance Sheets Items – Accounts Receivable” for details.

FINANCIAL INFORMATION

For the year ended 31 December 2017, our net cash outflow from operating activities was RMB16.2 million. This net cash outflow comprised our profit before taxation of RMB36.8 million, as adjusted for (i) non-cash items, principally comprising RMB27.9 million in fair value gain of our financial assets measured at FVPL and RMB4.7 million in depreciation and amortisation; and (ii) changes in operating assets and liabilities, principally comprising (a) a decrease in our accounts payable of RMB15.0 million; and (b) an increase in our accounts receivable of RMB15.1 million due to increase in revenue and delayed payment from some customers of media buy business. The operating cash outflow in 2017 was primarily due to a large decrease in our profit before tax, as a result of (i) a decrease in the profit generated from our media buy business due to the reducing of the business; (ii) a substantial increase in server leasing costs and traffic acquisition costs in 2017 to support the rapid expansion of our mobile advertising platform and related business; and (iii) a substantial increase in expenses for the comprehensive promotion of our mobile apps, which later resulted in a boom in our revenue from proprietary app traffic monetisation business in 2018. The negative cash flow was also resulted from the increase in our accounts receivable turnover days from 109 days to 203 days. See “– Discussion of Certain Key Consolidated Balance Sheets Items – Accounts Receivable” for details.

For the year ended 31 December 2016, our net cash outflow from operating activities was RMB57.2 million. This net cash outflow comprised our profit before tax of RMB56.0 million, as adjusted by (i) the non-cash items, principally comprising RMB19.2 million in fair value gain in our financial assets measured at FVPL and RMB10.1 million of net impairment losses on financial assets; and (ii) changes in operating assets and liabilities, principally comprising an increase of RMB106.6 million in accounts receivable. The operating cash outflow in 2016 was primarily due to a large increase in our accounts receivable. At an early stage of our business operations, we were primarily revenue-driven, focussing more on attracting new customers and generating revenues, and for the purpose of maintaining business relationship, we may occasionally allow relatively lax collection periods towards certain customers after our assessment on their credibility. In addition, as an emerging market player, with limited bargaining power, we were in a weak position to negotiate for favourable credit terms, which also negatively affected our cash flow in the same period. See “– Discussion of Certain Key Consolidated Balance Sheets Items – Accounts Receivable”.

Net Cash (Outflow)/Inflow from Investing Activities

For the six months ended 30 June 2019, our net cash inflow from investing activities was RMB1.2 million, primarily due to (i) RMB355.3 million of cash inflow from maturity of wealth management products measured at FVPL; and (ii) RMB36.2 million of proceeds of loan repayments from Mico, partially offset by (i) RMB290.2 million of cash outflow in purchase of wealth management products measured at FVPL; and (ii) RMB100.0 million of cash outflow of additional investment in equity interest in Mico, see “– Discussion of Certain Key Consolidated Balance Sheets Items – Financial Assets Measured at FVPL” in this section for more details.

FINANCIAL INFORMATION

For the year ended 31 December 2018, our net cash inflow from investing activities was RMB4.6 million, primarily due to (i) RMB421.9 million of cash inflow from maturity of wealth management products measured at FVPL; and (ii) RMB3.4 million of proceeds from loan repayments, partially offset by (i) RMB393.0 million of cash outflow in purchase of wealth management products measured at FVPL; and (ii) RMB27.2 million of cash outflow in loans granted to Mico, see “– Discussion of Certain Key Consolidated Balance Sheets Items – Other Receivable” for details of loans to third parties and related parties.

For the year ended 31 December 2017, our net cash inflow from investing activities was RMB34.6 million, primarily due to (i) RMB305.7 million of cash inflow from maturity of wealth management products measured at FVPL; and (ii) RMB35.0 million of cash inflow from loan repayments from Beijing Amphora, Beijing Duanji and a third-party entity, partially offset by (i) RMB269.4 million of cash outflow in purchase of wealth management products measured at FVPL; and (ii) RMB37.5 million of cash outflow in loans granted to Mico, Beijing Duanji and Beijing Amphora, of which the amounts due from Beijing Amphora and Beijing Duanji of RMB20.0 million and RMB5.0 million, respectively, were repaid in 2017.

For the year ended 31 December 2016, our net cash outflow from investing activities was RMB52.4 million, primarily due to (i) RMB1,025.3 million of cash outflow in purchase of wealth management products measured at FVPL, see “– Discussion of Certain Key Consolidated Balance Sheets Items – Financial Assets Measured at FVPL” in this section; (ii) RMB17.9 million of cash outflow for investment in equity interests of Beijing Duanji; and (iii) RMB10.0 million of loans granted to a third-party entity, which was partially offset by RMB1,001.7 million of cash inflow from the maturity of wealth management products measured at FVPL.

Net Cash Inflow/(Outflow) from Financing Activities

For the six months ended 30 June 2019, our net cash outflow from financing activities was RMB102.3 million, primarily representing the repurchase of shares of RMB100.0 million, see “History and Corporate Structure – Reorganisation – 2019 Share Repurchases” in this prospectus for more details.

For the year ended 31 December 2018, our net cash outflow from financing activities was RMB3.3 million, primarily representing the repayment of lease liabilities (including interests paid) in relation to the rents for our office building.

For the year ended 31 December 2017, our net cash outflow from financing activities was RMB20.8 million, attributable to (i) RMB17.5 million of deemed distribution of certain investments, primarily representing the carve-out of the investments in Fujian Youdian Neirong, see “History and Corporate Structure – Reorganisation – Onshore Reorganisation – Disposal of Youdian Neirong” in this prospectus for more details; and (ii) RMB3.3 million of repayment of lease liabilities (including interests paid) in relation to the rents for our office building.

FINANCIAL INFORMATION

For the year ended 31 December 2016, our net cash inflow from financing activities was RMB146.7 million, attributable to RMB200.0 million of capital injection from shareholders to NewBornTown Mobile Technology, see “History and Corporate Structure – Our Major Subsidiaries and Operating Entities – NewBornTown Mobile Technology – Capital increase in 2016” in this prospectus for more details. The cash inflow was partially offset by (i) RMB30.0 million in transfer of certain investments, primarily representing the carve-out of the investments in Tibet Zhirui, see “History and Corporate Structure – Reorganisation – Onshore Reorganisation – Disposal of Tibet Zhirui” in this prospectus for more details; (ii) RMB3.3 million of repayment of lease liabilities (including interests paid); and (iii) RMB20.0 million of repayment of loans to third parties.

INDEBTEDNESS

Borrowings

As of 31 December 2016, 2017 and 2018, and 30 June and 31 October 2019, we had bank overdrafts of RMB0.26 million, RMB0.25 million, RMB0.09 million, RMB0.04 million and RMB0.08 million, respectively. As of the Latest Practicable Date, we did not have any bank facilities.

Lease Liabilities

Our lease liabilities represent the obligation to make future payments in relation to the lease of our office building. Lease contracts are typically made for fixed periods with fixed lease payments. Lease terms are negotiated on an individual basis and do not impose any covenants, while leased assets may not be used as security for borrowing purposes. Please refer to Note 2.21 of the Accountant’s Report set out in Appendix I to this prospectus for details of our accounting policies for leases. As of 31 December 2016, 2017 and 2018, and 30 June and 31 October 2019, we recorded lease liabilities of RMB2.9 million, RMB6.1 million, RMB3.0 million, RMB1.4 million and RMB1.4 million, respectively.

The following tables set forth a breakdown of our lease liabilities by current and non-current portions and the effective interest rates as of the dates and for the periods indicated:

	As of 31 December			As of 30 June	As of 31 October
	2016	2017	2018	2019	2019
	(RMB in thousands)				
Current	2,934	3,124	2,999	1,370	1,370
Non-current	–	2,999	–	–	–
Total	2,934	6,123	2,999	1,370	1,370 (unaudited)

FINANCIAL INFORMATION

	For the year ended 31 December			For the six months ended 30 June	For the ten months ended 31 October
	2016	2017	2018	2019	2019
	(Unaudited)				
Effective interest rate	<u>4.75%</u>	<u>4.75%</u>	<u>4.75%</u>	<u>4.75%</u>	<u>4.75%</u>

Contingent Liabilities

As of 31 December 2016, 2017 and 2018, and 30 June and 31 October 2019, we did not have any material contingent liabilities or guarantees.

Off-balance Sheet Commitments and Arrangements

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

Save as disclosed, we did not have any bank loans or other borrowings, or any loan capital issued and outstanding or agreed to be issued, borrowings or similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as of 31 October 2019, being the latest practicable date for our statement of indebtedness. Our Directors confirm that there has not been any material change in our indebtedness since 31 October 2019.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures consist primarily of payment of purchase of property and equipment, including purchases of computers and other office equipment. In 2016, 2017 and 2018 and the six months ended 30 June 2019, our capital expenditures were RMB0.9 million, RMB0.4 million, RMB0.6 million and RMB0.2 million, respectively.

Capital Commitments

As of 31 December 2016, 2017 and 2018 and 30 June 2019, we did not have any capital commitments.

Operating Lease Commitments

We leased several offices under non-cancellable operating lease with lease term less than one year and has been exempted from recognition of right-of-use assets permitted under IFRS 16. As of 31 December 2016, 2017 and 2018 and 30 June 2019, the future aggregate minimum lease payment under non-cancellable operating lease were RMB0.04 million, RMB0.03 million, RMB0.06 million and RMB0.03 million, respectively.

FINANCIAL INFORMATION

RELATED TRANSACTIONS

Transactions with Related Parties

Our Directors collected the receivables due from two of our top five customers on behalf of the Company. For more details, please see “Business – Certain Settlement Arrangements”.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted in the ordinary course of business on an arm’s length basis and they did not distort our result of operations or make our historical results not reflective of our future performance.

The following table sets forth the transactions we had with related parties for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	(RMB’000)	(RMB’000)	(RMB’000)	(RMB’000)	(RMB’000)
Collection on behalf of the group					
– Directors (Liu Chunhe, Li Ping, Wang Kui)	–	–	17,655	–	14,171

Amounts due from Related Parties

Amounts from the related parties were unsecured and repayable on demand. The amounts due from related parties are neither past due nor impaired. The following table sets forth the amounts due from related parties as of the dates indicated:

	As of 31 December			As of 30 June
	2016	2017	2018	2019
	(RMB’000)	(RMB’000)	(RMB’000)	(RMB’000)
Amounts due from related parties:				
Other receivable				
– Directors (Liu Chunhe, Li Ping, Wang Kui)	–	–	10,846	–
	–	–	10,846	–
	<u>–</u>	<u>–</u>	<u>10,846</u>	<u>–</u>

As of 31 December 2018, amounts due from related parties totalled RMB10.8 million. All amounts due from related parties have been settled.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the periods indicated:

	As of and for the year ended 31 December			As of and for the six months ended 30 June
	2016	2017	2018	2019
	Revenue growth	N/A	32.9%	52.2%
Net profit growth	N/A	(22.4%)	86.8%	(64.7%)
Adjusted net profit growth ⁽¹⁾	N/A	(24.6%)	93.0%	88.3%
Gross profit margin ⁽²⁾	51.8%	38.7%	51.1%	66.6%
Net profit margin ⁽³⁾	30.1%	17.6%	21.6%	6.4%
Adjusted net profit margin ⁽¹⁾⁽⁴⁾	30.1%	17.1%	21.7%	33.9%
Gearing ratio ⁽⁵⁾	16.9%	15.0%	17.2%	34.1%
Current ratio ⁽⁶⁾	543.2%	609.3%	516.3%	200.6%
Return on equity ⁽⁷⁾	9.5%	7.3%	11.8%	N/A ⁽⁸⁾
Return on assets ⁽⁸⁾	7.9%	6.2%	9.7%	N/A ⁽⁸⁾

Notes:

- (1) These are non-IFRS measures. For the reconciliations of our non-IFRS financial measures, net of tax effects on the adjustments to the nearest measures prepared in accordance with IFRS, please see “ – Description of Major Components of our Results of Operations – Non-IFRS Measures – Reconciliation”.
- (2) Calculated as gross profit divided for the year/period by revenue and multiplied by 100%.
- (3) Calculated as profit for the year/period divided by revenue and multiplied by 100%.
- (4) Calculated as adjusted net profit for the year/period divided by revenue and multiplied by 100%.
- (5) Calculated as total liabilities divided by total assets and multiplied by 100%.
- (6) Calculated as current assets divided by current liabilities and multiplied by 100%.
- (7) Calculated as profit for the year/period divided by ending balance of total equity and multiplied by 100%.
- (8) Calculated as profit for the year/period divided by ending balance of total assets and multiplied by 100%.
- (9) The semi-annual number is not comparable to the annual number.

FINANCIAL INFORMATION

Revenue Growth

Our revenue growth increased by 32.9% from 2016 to 2017, which primarily due to the revenue growth of our programmatic advertising platform and related business. Our revenue growth increased by 52.2% from 2017 to 2018 and further increased by 58.0% from the six months ended 30 June 2018 to 30 June 2019, which primarily due to the significant revenue growth of our proprietary app traffic monetisation business.

Net Profit Growth

Our net profit decreased by 22.4% from 2016 to 2017, which was primarily due to a significant increase in our cost for advertising placement for the extensive promotion of our proprietary apps at the rapid-growing stage of our business. Our net profit increased by 86.8% from 2017 to 2018, which was primarily due to the rapid growth of our programmatic advertising platform and related business and proprietary app traffic monetisation business. Our net profit decreased by 64.7% from the six months ended 30 June 2018 to 30 June 2019, which was primarily due to the significant increase in general and administrative expenses resulting from the listing expenses, share-based compensation for share repurchase and higher salaries, wages and other expenses.

Adjusted Net Profit Growth

Our adjusted net profit decreased by 24.6% from 2016 to 2017, which was primarily due to a significant increase in our cost for advertising placement. Our adjusted net profit increased by 93.0% from 2017 to 2018, which was primarily due to the rapid-growth of our programmatic advertising platform and related business and proprietary app traffic monetisation business. Our adjusted net profit increased by 88.3% from the first half of 2018 to the first half of 2019, primarily due to the significant growth of our proprietary app traffic monetisation business as a result of our development and launch of new apps and increased promotion efforts.

FINANCIAL INFORMATION

Gross Profit Margin

Our gross profit margin decreased from 51.8% in 2016 to 38.7% in 2017, which was primarily due to the reduction our media buy business, which had a higher gross profit margin. Our gross profit margin increased from 38.7% in 2017 to 51.1% in 2018 and further increased to 66.6% for the six months ended 30 June 2019, primarily due to (i) a significant increase in the gross profit margin of our proprietary app traffic monetisation business; and (ii) the gross profit of our proprietary app traffic monetisation business accounting for a higher proportion in our total gross profits. See “Financial Information – Period-to-Period Comparison of Results of Operations” for more details.

Net Profit Margin

Our net profit margin decreased from 30.1% in 2016 to 17.6% in 2017, which was primarily due to a significant increase in our cost for advertising placement for the extensive promotion of our proprietary apps at the rapid-growing stage of our business. Our net profit margin increased from 17.6% in 2017 to 21.6% in 2018, which was primarily in line with increase of our gross profit margin in the same period. Our net profit margin decreased from 28.5% for six months ended 30 June 2018 to 6.4% for the six months ended 30 June 2019, which was primarily due to the our share-based compensation expenses and the listing expenses.

Adjusted Net Profit Margin

Our adjusted net profit margin decreased from 30.1% in 2016 to 17.1% in 2017, which was primarily due to a significant increase in our cost for advertising placement. Our adjusted net profit margin increased from 17.1% in 2017 to 21.7% in 2018, which was primarily in line with the increase of our gross profit margin and net profit margin in the same period. Our net profit margin increased from 28.5% for six months ended 30 June 2018 to 33.9% for the six months ended 30 June 2019, which was primarily due to the increase in our gross profit margin, as the gross profit of our proprietary app traffic monetisation business, which records a higher gross profit margin than our mobile advertising platform and related business, accounted for a higher proportion in the first half of 2019.

Gearing Ratio

We strive to maintain a healthy financial condition. Our gearing ratio as of 31 December 2016, 2017 and 2018 remained relatively stable. Our gearing ratio increased from 17.2% as of 31 December 2018 to 34.1% as of 30 June 2019, primarily due to the decrease in accounts receivable and significant increase in our other payable as a result of the consideration payable to Haitong Kaiyuan and Haitong Xinxi pursuant to the share purchase agreements of RMB60.0 million recorded as of 30 June 2019.

FINANCIAL INFORMATION

Current Ratio

Our current ratio increased from 543.2% as of 31 December 2016 to 609.3% as of 31 December 2017, which was mainly due to our decreased accounts payable as a result of the acceleration of payments to our suppliers. Our current ratio decreased from 609.3% as of 31 December 2017 to 516.3% as of 31 December 2018, primarily due to the increase in our accounts payable resulted from the increased cost for advertising placement and server capacity expense. Our current ratio decrease from 516.3% as of 31 December 2018 to 200.6% as of 30 June 2019, primarily due to the decrease in our accounts receivable and the current portion of our financial assets measured through FVPL and significant increase in our other payable.

Return on Equity

Our return on equity decreased from 9.5% in 2016 to 7.3% in 2017, primarily due to our increased equity base and the decreased in our net profits. Our return on equity increased from 7.3% in 2017 to 11.8% in 2018, primarily due to our increasing net profit as a result of our improved profitability.

Return on Assets

Our return on assets decreased from 7.9% in 2016 to 6.2% in 2017, primarily due to the decrease in our net profits in 2017 as a result of increased cost of sales and selling and marketing expenses. Our return on assets increased from 6.2% in 2017 to 9.7% in 2018, primarily due to the rapid growth of our net profits in 2018.

FINANCIAL RISK

The primary financial risks we face in the ordinary course of business are market risk, credit risk and liquidity risk. See Note 3 of the Accountant's Report set out in Appendix I to this prospectus.

Foreign Currency Risk

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency other than the functional currency. Since each of our entities did not held significant assets and liabilities denominated in a currency other than its functional currency, our exposure to foreign currency risk at each year end of the Track Record Period was insignificant.

FINANCIAL INFORMATION

Interest Rate Risk

Financial assets with variable interest rate expose us to cash flow interest-rate risk. And financial assets with fixed interest rate expose us to fair value interest-rate risk. Other than interest-bearing cash and cash equivalents and restricted cash, we have no significant interest-bearing assets or liabilities. Our Directors do not anticipate there is any significant impact resulted from the changes in interest rate.

Credit Risk

We are exposed to credit risk primarily in relation to cash and cash equivalents and restricted bank deposits placed with banks, as well as accounts and other receivable. The carrying amount of each class of the above financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

We expect that there is no significant credit risk associated with cash deposits at banks since they are mainly placed with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

We generated revenue from advertisers or their agencies. Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. We performed credit evaluation that focus on the customer's past history of making payments and current ability to pay. We do not obtain collateral from customers. As at 31 December 2016, 2017 and 2018 and 30 June 2019, approximately 70%, 64%, 52% and 57% of our accounts receivable were due from the largest five customers. Given the strong business relationship with these customers, our management does not expect that there will be any significant losses from non-performance of these customers.

We do not provide any other guarantees which would expose us to credit risk. In addition, we apply the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable. See Note 3.1b of the Accountant's Report set out in Appendix I to this prospectus.

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows to manage the liquidity risk.

FINANCIAL INFORMATION

DIVIDENDS

During the Track Record Period, we did not declare any dividends. We are a holding company incorporated in the Cayman Islands. The declaration of dividend is subject to the discretion of our Board. Taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and such other conditions and other factors which they may deem relevant at such time, our Board may recommend a payment of dividend out of our Group's net profit for the year attributable to owners of our Company in each financial year, commencing from the financial year ending 31 December 2020. Any declaration and payment as well as the amount of the dividend will be subject to the Articles, the Cayman Companies Law and any applicable laws and regulations. Currently, we do not have a formal dividend policy or a fixed dividend payout ratio.

DISTRIBUTABLE RESERVES

As of 30 June 2019, we did not have any reserves available for distribution to our Shareholders.

LISTING EXPENSES

The listing expenses in connection with the Global Offering (including primarily underwriting commission and other expenses and assuming an Offer Price of HK\$1.60 per Offer Share, being the mid-point of the indicative Offer Price range) are estimated to be approximately RMB47.0 million, of which approximately RMB0.3 million and RMB15.2 million were charged to the consolidated statements of comprehensive income for the year ended 31 December 2018 and the six months ended 30 June 2019, respectively. We expect the remaining listing expenses of approximately RMB17.0 million will be charged to the consolidated statements of comprehensive income after the Track Record Period, and approximately RMB14.5 million will be deducted from the share premium. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2019 as if the Global Offering had taken place on 30 June 2019.

FINANCIAL INFORMATION

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 June 2019 or any future dates following the Global Offering. The unaudited pro forma statement of adjusted net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2019 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Unadjusted Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2019 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets of the Group attributable to equity holders of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000	RMB'000	RMB'000	RMB ⁽³⁾	HK\$ ⁽⁴⁾
Based on the Offer Price of HK\$1.26 per Share, after a Downward Offer Price Adjustment of 10%	371,230	109,177	480,407	0.48	0.53
Based on the Offer Price of HK\$1.40 per Share	371,230	125,436	496,666	0.50	0.55
Based on the Offer Price of HK\$1.80 per Share	371,230	171,891	543,121	0.54	0.60

Notes:

- (1) The unadjusted audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2019 is extracted from the Accountant's Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company as at 30 June 2019 of RMB380,538,000 with an adjustment for the intangible assets and goodwill as at 30 June 2019 of RMB9,308,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$1.40 to HK\$1.80 per Share, respectively, and also based on an offer price of HK\$1.26 per Share, after making a downward offer price adjustment of 10%, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.

FINANCIAL INFORMATION

- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares were in issue immediately upon completion of the Capitalisation Issue and the Global Offering, which is assumed to be on 30 June 2019 for the purpose of the pro forma financial information, and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option.
- (4) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.87967. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2019.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to 30 June 2019 and up to 31 October 2019, we recorded a significant increase in the revenue from our proprietary app traffic monetisation business, and a moderate increase in the revenue from our mobile advertising platform services business, compared with the same period in 2018 based on our unaudited management accounts. As the gross profit margin of our proprietary app traffic monetisation business is higher between our two business lines, with its revenue increase as a percentage of our total revenue, our overall gross profit margin also increased significantly subsequent to 30 June 2019 and up to 31 October 2019, compared with the same period in 2018.

Based on our audited financial results for the first half of 2019 and our unaudited management accounts subsequent to 30 June 2019 and up to 31 October 2019, we recorded increases in both of the revenue and the gross profit margin for the ten months ended 31 October 2019.

Our business remained stable subsequent to the Track Record Period. For our proprietary app traffic monetisation business, while the average MAUs for the ten months ended 31 October 2019 remained relatively stable compared with the average MAUs for the six months ended 30 June 2019, our total users increased to approximately 910.4 million up to 31 October 2019. Subsequent to 30 June 2019 and up to 31 October 2019, the average MAUs of our mobile apps increased by 36.1% compared with the same period in 2018. For our mobile advertising business, the number of advertisers and publishers (ad agencies) connected to and transacted with our Solo Math programmatic advertising platform increased to 255 and 647 for the ten months ended 31 October 2019, respectively.

FINANCIAL INFORMATION

We adopted the Employee RSU Scheme on 11 December 2019 to incentivize employees and consultants (not being core connected persons of the Company under Listing Rules) for their contribution to the Group. Consultants refers to any person that provides research, development, consultancy and other technical or operational support to the Group and have contributed or will contribute to the Group. On 11 December 2019, the Company issued 9,365,745 Shares (representing approximately 3.77% of the total issued share capital of our Company as of the date of the adoption of the RSU Scheme) to Three D Partners Limited, a wholly-owned subsidiary of the Employee RSU Trustee. We adopted the Management RSU Scheme on 11 December 2019 to incentivize directors, senior management and officers of the Company or its subsidiaries for their contribution to the Group. On 11 December 2019, the Company issued 8,000,000 Shares (representing approximately 3.22% of the total issued share capital of our Company as of the date of the adoption of the RSU Scheme) to Bridge Partners Limited, a wholly-owned subsidiary of the Management RSU Trustee. The maximum number of Shares underlying RSUs under the RSU Schemes is 60,335,566 (after taking into consideration of adjustment pursuant to the Capitalisation Issue), representing approximately 6.03% of the issued share capital of our Company immediately upon completion of the Capitalisation Issue and Global Offering, assuming the Over-allotment Option is not exercised. The Shares underlying RSUs will be granted based on the contribution of the Employee RSU Participants and Management RSU Participants to the Group and the overall business performance of the Group. No RSUs will be granted by our Company pursuant to the RSU Schemes before the Listing or within the three months immediately following the completion of Global Offering. The grant of RSUs under the RSU Schemes will not involve any issue of new Shares or purchase of existing Shares after the Listing Date, which therefore will not incur a dilution of the shareholding of our Shareholders immediately following the Listing (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option). For details and principal terms of the RSU Schemes, please refer to “Statutory and General Information – E. RSU Schemes” in Appendix IV to this prospectus.

Our Directors confirm that, since 30 June 2019 and up to the date of this prospectus, save for the share-based compensation expenses that may result from the RSU Schemes and the listing expenses to be incurred in connection with the Global Offering, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountant’s Report included in Appendix I to this Prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Our objective is to further enhance our market position in the industry and to continue expanding our business. See “Business – Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$165.4 million (after deduction of underwriting commissions and estimated expenses in connection with the Global Offering) assuming the Over-allotment Option is not exercised and an Offer Price of HK\$1.60 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus. We intend to use the net proceeds we receive from the Global Offering as follows and, to the extent necessary, we will also supplement the net proceeds to achieve the following objectives:

1. Approximately 41.1% or HK\$68.0 million is expected to be used to develop, expand and upgrade our Solo X product matrix. We intend to use such proceeds to further optimise our current product portfolio and improve our performance metrics, including without limitation, the user feedback, retention rate and monetisation efficiency by (i) optimising multiple versions of our apps for different devices, languages and geographic areas and by developing compatible apps for more operating systems and also mini programmes; and (ii) conducting research on user needs and market demands and designing diversified features and functions for our mobile apps in each sub-matrix to cater to the preferences of different user groups. We also plan to establish our Solo X brand name by launching popular mobile apps through leveraging our experience in developing and operating well-ranked mobile apps (i) by exploring more usage scenarios in optimising our product sub-matrices, for example, we intend to diversify the functions of and improve the users online time of our mobile apps in the User System sub-matrix by including office utilities and ebooks and readers apps to meet the working class group’s demand for office-related efficiency tools and reading documents and papers in business scenarios; (ii) by enhancing the user experience of our mobile app products in our existing product matrix, for example, for our fitness apps, we intend to cooperate with more professional trainers to offer better guidance to our users, and for our games apps, with the development of 5G technologies, we plan to cooperate with third-party games studios to develop more high-quality and cloud-based games supplementary to our current product portfolio; and (iii) by increasing our investment in the development of apps of other categories in accordance with our research on the user demands and the popular trends in the mobile internet market, such as developing camera and video apps in response to the improvement in the camera functions of mobile devices and the users’ increasing demands of sharing photos and videos. To carry out our plans in optimising and expanding our product matrix of mobile apps, we intend to expand our product team to enhance our product development capabilities in various aspects, mainly by recruiting product managers

FUTURE PLANS AND USE OF PROCEEDS

with expertise in product design and research capabilities of the mobile internet market, software engineers dedicated to building the fundamental architecture for products and operational personnel overseeing the operation, performance and user interactions of our mobile apps. Out of our net proceeds intended to be applied for this purpose, gradually over the next three years, we intend to use:

- approximately 35.3% or HK\$58.5 million on employee benefits of our staff in the operation and research and development departments for Solo X product matrix under our proprietary app traffic monetisation business at the amount of HK\$40.6 million and the recruitment of staff in operation and research and development departments with relevant experience and specialised in mobile app development at the amount of HK\$17.9 million, including the recruitment of an additional 41 staff members in 2020, 24 in 2021 and 24 in 2022. We intended to allocate an aggregate of HK\$143.6 million for this purpose between 2019 and 2022, of which HK\$58.5 million will be from net proceeds and HK\$85.1 million will be from our internal resources;
- approximately 3.9% or HK\$6.4 million on additional lease of office space as we expand our staff team through new recruitments, which is correlated to the increase of our employees. We intended to allocate an aggregate of HK\$15.5 million for this purpose between 2019 and 2022, of which HK\$6.4 million will be from net proceeds and HK\$9.1 million will be from our internal resources; and
- approximately 1.9% or HK\$3.1 million on renting additional servers in line with our business expansion to ensure stable and secure operations of our business. We had attracted more than 796.8 million users by 30 June 2019 and we intend to invest in renting more stable and sizable servers to accommodate to the future increase of our users. As we plan to develop more games app with better graphics and cloud-gaming technologies, we intend to enhance our game apps infrastructure and reduce the servers' response time by renting more secure and resizable cloud servers in different areas globally and improving our elastic web-scale computing capabilities. We intended to allocate an aggregate of HK\$7.7 million for this purpose between 2019 and 2022, of which HK\$3.1 million will be from net proceeds and HK\$4.6 million will be from our internal resources.

We plan to allocate the net proceeds to the resources, including the abovementioned recruitment of personnel, office space for our staff and the renting of additional servers, necessary for the development of new apps and the operation of existing apps and the apps to be launched, and we may make adjustments from time to time according to the market conditions and our operational plans. Due to our unbundling strategy of developing a suite of apps in four different sub-matrices,

FUTURE PLANS AND USE OF PROCEEDS

we do not intend to spend a specific amount of net proceeds on one or a certain number of mobile apps in pipeline as we do not typically designate fixed personnel or budget to the development of one app or a certain number of apps.

2. Approximately 34.6% or HK\$57.2 million is expected to be used to upgrade our Solo Math programmatic advertising platform. We intend to use such proceeds to improve the existing advertising services for user acquisition, monetisation and data analytics (i) by enhancing the automation and optimisation capacities of our Solo Math programmatic advertising platform through the research and development of precise targeting algorithms and machine learning technologies, (ii) by continuing to invest in our OpenRTB-based SAX module to improve its computing efficiency and stability for processing large transaction volume, and (iii) by expanding and integrating a larger number of advertisers with higher frequency of ad transactions to ensure the expansion of the scale of our ad exchange. We also plan to further integrate the four modules of Solo Math programmatic advertising platform and enhance the synergies between our Solo X product matrix and Solo Math advertising platform for example, we may, especially considering the increase in the CPM/CPI of our Solo Math advertising platform, selectively integrate the ad inventories on Solo X into the Solo Math advertising platform, through which the Solo Math advertising platform can participate in the traffic bidding process with media platforms with high-quality ad traffic and thus attracting more advertisers with high-quality resources. To carry out our plans in the service improvement and scale expansion of our Solo Math advertising platform, we intend to expand our operation and research and development teams to upgrade and optimise our automated and programmatic mobile advertising platform in various aspects, mainly by recruiting development engineers and algorithm engineers specialised in designing the architects and fundamental structure of target advertising and machine learning, data product managers with the expertise in data mining and account managers operating the system integration and overseeing the advertising campaigns. Out of our net proceeds intended to be applied for this purpose, gradually over the next three years, we intend to use:
 - approximately 17.6% or HK\$29.1 million on employee benefits of our staff in the operation and research and development departments for the programmatic advertising platform at the amount of HK\$20.4 million and the recruitment of staff in operation and research and development departments with more than three years of relevant experience in software programming such as Python programming language at the amount of HK\$8.7 million, including the recruitment of an additional 15 staff members in 2020, 12 in 2021 and eight in 2022. We intended to allocate an aggregate of HK\$69.3 million for this purpose between 2019 and 2022, of which HK\$29.1 million will be from net proceeds and HK\$40.2 million will be from our internal resources;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 1.8% or HK\$2.9 million on additional lease of office space as we expand our staff team through new recruitments, which is correlated to the increase of our employees. We intended to allocate an aggregate of HK\$7.2 million for this purpose between 2019 and 2022, of which HK\$2.9 million will be from net proceeds and HK\$4.3 million will be from our internal resources; and
 - approximately 15.2% or HK\$25.2 million on renting additional servers in line with our business expansion to ensure stable and secure operations of our business. Our Solo Math programmatic advertising platform generates and analyses a large amount of ad transaction data and we will rent additional cloud storage servers to enhance our data storage capability. We also intend to employ additional services from the third-party cloud platform, which include highly-optimised data transfer mechanism with bandwidth management and automated network resilience and the expansion of content delivery networks with more edge locations in the U.S., Europe, India and Japan to improve the data transferring efficiency of our global service network. We intended to allocate an aggregate of HK\$68.4 million for this purpose between 2019 and 2022, of which HK\$25.2 million will be from net proceeds and HK\$43.2 million will be from our internal resources.
3. Approximately 17.0% of the net proceeds or HK\$28.2 million is expected to be used to enhance the big data and AI capabilities of our Solo Aware AI engine. We intend to use such proceeds (i) to improve the dimension and depth of our data base for higher granular level analysis of user profile and establish content delivery networks in more areas globally to enhance our service to global users and customers; (ii) to optimise the machine learning models and the data analysis capabilities in the field of natural language processing and self-learning of Solo Aware by recruiting more research and development talents specialised in big data and AI technologies; (iii) to explore opportunities to apply our AI technologies in scenarios other than mobile advertising, for example, we plan to explore and build an ecosystem for medium and small developers dedicated to the applications of AI technologies by establishing open source technological communities and to increase the investment in the application of AI technologies in our mobile products. Out of our net proceeds intended to be applied for this purpose, gradually over the next three years, we intend to use:
- approximately 14.8% or HK\$24.5 million on employee benefits of the staff in the research and development and operation departments for big data and AI technologies at the amount of HK\$20.4 million and the recruitment of staff in operation and research and development departments with more than three years of relevant experience in big data and AI at the amount of HK\$4.1 million, including the recruitment of an additional eight staff members in 2020,

FUTURE PLANS AND USE OF PROCEEDS

four in 2021 and five in 2022. We intended to allocate an aggregate of HK\$58.2 million for this purpose between 2019 and 2022, of which HK\$24.5 million will be from net proceeds and HK\$33.7 million will be from our internal resources;

- approximately 0.9% or HK\$1.5 million on additional lease of office space as we expand our staff team through new recruitments, which is correlated to the increase of our employees. We intended to allocate an aggregate of HK\$3.6 million for this purpose between 2019 and 2022, of which HK\$1.5 million will be from net proceeds and HK\$2.1 million will be from our internal resources; and
 - approximately 1.3% or HK\$2.2 million on renting additional servers in line with our business expansion as mentioned above to ensure stable and secure operations of our business. To improve the computing and processing power of our Solo Aware AI engine, we will continue to invest in the graphic processing units provided by the third-party cloud platform for higher networking throughput to accelerate machine learning and high performance computing applications. We intended to allocate an aggregate of HK\$9.6 million for this purpose between 2019 and 2022, of which HK\$2.2 million will be from net proceeds and HK\$7.4 million will be from our internal resources.
4. Approximately 3.9% or HK\$6.4 million is expected to be used to enhance our local service capabilities and build our global information distribution network. We intend to use such proceeds (i) to establish local teams and offices in the United States, Japan and Taiwan; (ii) to enhance service and sales capabilities of local offices in terms of infrastructure and employees; and (iii) to upgrade our administrative system to further improve the management capabilities of our headquarters and upgrade our global operations in financial, tax, legal, marketing and human resources aspects. Out of our net proceeds intended to be applied for this purpose, gradually over the next three years, we intend to use:
- approximately 2.6% or HK\$4.3 million on the establish local teams and offices in the United States;
 - approximately 0.9% or HK\$1.4 million on the establish local teams and offices in Japan; and
 - approximately 0.4% or HK\$0.7 million on the establish local teams and offices in Taiwan.
5. Approximately 3.4% of the net proceeds or HK\$5.6 million is expected to be used for working capital and other general corporate purposes.

FUTURE PLANS AND USE OF PROCEEDS

Implementation Timeline

The following table sets forth a breakdown of the net proceeds to be applied by different period of time.

	2020	2021	2022	Total
	(in millions of HK\$)			
<i>Development and expansion of our Solo X product matrix</i>				
– business-specific staff recruitment	7.8	6.0	4.1	17.9
– improvement in employee benefits ⁽¹⁾	10.1	18.6	11.9	40.6
– office lease	2.1	2.7	1.6	6.4
– servers rental payment	1.1	1.2	0.8	3.1
Subtotal	21.1	28.5	18.4	68.0
<i>Upgrade of our Solo Math programmatic advertising platform</i>				
– business-specific staff recruitment	3.6	3.1	2.0	8.7
– improvement in employee benefits ⁽¹⁾	5.3	9.1	6.0	20.4
– office lease	1.0	1.3	0.6	2.9
– servers rental payment	9.2	10.2	5.8	25.2
Subtotal	19.1	23.7	14.4	57.2
<i>Big data and AI capabilities of Solo Aware AI engine</i>				
– business-specific staff recruitment	1.9	1.1	1.1	4.1
– improvement in employee benefits ⁽¹⁾	6.6	9.8	4.0	20.4
– office lease	0.6	0.6	0.3	1.5
– servers rental payment	0.0	0.0	2.2	2.2
Subtotal	9.1	11.5	7.6	28.2
<i>Enhancement of our local service capabilities and global information distribution network</i>				
– in the U.S.	1.2	1.7	1.4	4.3
– in Taiwan	0.3	0.6	0.5	1.4
– in Japan	0.2	0.2	0.3	0.7
Subtotal	1.7	2.5	2.2	6.4
Working Capital	2.8	2.8	–	5.6
Total	53.8	69.0	42.6	165.4

Note:

(1) Also includes part of the remuneration of employees recruited after the Global Offering but before the beginning of each indicated year.

FUTURE PLANS AND USE OF PROCEEDS

Employees Recruitment Plan

The following table illustrates the number of our employees allocated to the following components of our business as at 30 June 2019 and a breakdown of our employees recruitment and allocation plan:

	As at 30 June	For the year ending 31 December			
	2019	2019	2020	2021	2022
Solo X product matrix					
The number of employees to increase during the year	–	–	41	24	24
The number of employees as at the end of the period/year	90	97	138	162	186
Solo Math advertising platform					
The number of employees to increase during the year	–	–	15	12	8
The number of employees as at the end of the period/year	22	35	50	62	70
Solo Aware AI engine					
The number of employees to increase during the year	–	–	8	4	5
The number of employees as at the end of the period/year	17	18	26	30	35
Subtotal					
The number of employees to increase during the year	–	–	64	40	37
The number of employees as at the end of the period/year	129	150	214	254	291

Note: The employees include the staff in or to be hired in the operation or research and development department.

During the Track Record Period, our employee benefit expense for the staff in operation and research and development departments amounted to RMB19.2 million, RMB29.7 million and RMB37.9 million for the years ended 31 December 2016, 2017 and 2018, respectively, and increased from RMB17.3 million for the six months ended 30 June 2018 to RMB19.9 million for the same period in 2019. The amount of net proceeds to be allocated to the employee benefits includes not only the recruitment of staff in operation and research and development departments for Solo X product matrix, Solo Math programmatic advertising platform and Solo Aware AI engine, but also the increase of employee benefits of existing staff as at 30 June 2019 and the staff to be hired gradually over the period from 2020 to 2022. We determine the amount to be allocated to recruitment and increase of employee benefits of existing staff with reference to, amongst others, the current monthly average employee benefit expenses, and then job market situation, and the job requirements such as experience and qualification. We plan to

FUTURE PLANS AND USE OF PROCEEDS

spend in the recruitment of staff at the amount of HK\$13.3 million, HK\$10.2 million and HK\$7.2 million for the years ending 31 December 2020, 2021 and 2022. We intend to spend in the improvement of employee benefits at the amount of HK\$22.0 million, HK\$37.5 million and HK\$21.9 million for the years ending 31 December 2020, 2021 and 2022 as (i) we plan to increase 64, 40 and 37 employees from 2020 to 2022 and the number of employees dedicated to Solo X, Solo Math and Solo Aware is expected to increase by 125.6% from 129 as at 30 June 2019 to 291 as at the end of 2022 and (ii) aside from the increase in the remuneration for the 129 employees we had as at 30 June 2019, we also intend to spend in the remuneration for the employees recruited after the Global Offering but before the beginning of each indicated year in order to retain these employees, thereby ensuring the capability of our research and development and operation departments, in particular, the employee benefits of HK\$37.5 million we expect to spend in 2021 include part of the remuneration of the 64 employees to be recruited in 2020. We have been in the process of expanding our operation scale of both our proprietary app traffic monetisation business and mobile advertising platform business during our relatively early development stage. The total number of our employees increased by 66.1% from 109 as at 31 December 2016 to 181 as at 30 June 2019. Our track record of performance is supported by our employees, which we believe will continue to be of significance in achieving our future development and growth. We believe our recruitment plan is necessary for the fulfilment of our strategies to attract, retain experienced employees to satisfy the needs of our business expansion.

Historically, our server capacity expense was RMB2.1 million, RMB5.6 million, RMB11.8 million for the years ended 31 December 2016, 2017 and 2018, respectively, and increased from RMB4.4 million for the six months ended 30 June 2018 to RMB9.1 million for the same period in 2019. The increase in our historical server capacity expense is in line with our increasing demand of computing capacity of our operations. In light of the continuing growth in users of our mobile apps, the volume of ad transactions on programmatic advertising and the amount of user data in demand of secure and stable storage, we intend to invest in renting additional secure and reliable cloud servers and expand the content delivery networks with more edge locations to meet our increasing operation demand and improve system stability for the stable operation of our business. We expect to spend in the servers rental payment at the amount of HK\$10.3 million, HK\$11.4 million and HK\$8.8 million for the years ending 31 December 2020, 2021 and 2022. As our business grows and our demands for computing capacity, data storage capability and content delivery network expansion increase, we believe that our continued investment in renting servers is essential for us to maintain our stable, secured and efficient services for both our mobile app users and advertising customers.

During the Track Record Period, our payment of lease liabilities amounted to RMB3.3 million, RMB3.3 million, RMB3.3 million and RMB1.7 million for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively. As the office space in our Beijing office has been generally fully occupied by our current employees and we plan to recruit additional employees for the expansion of our business and operations, our demand for additional office space will also continue to increase. We may consider to rent office properties close to the hub of internet and technology companies in accordance with our plan to expand our operations, considering the current rent rate in these areas in Beijing, the

FUTURE PLANS AND USE OF PROCEEDS

potential increase in the lease rate, and our expected headcount in the following three years, we intend to allocate in the office lease expense at the amount of HK\$3.7 million, HK\$4.6 million and HK\$2.5 million for the years ending 31 December 2020, 2021 and 2022.

Range of Net Proceeds

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$191.2 million (after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering) assuming the Over-allotment Option is not exercised and an Offer Price of HK\$1.80 per Share, being the high-end of the indicative Offer Price range stated in this prospectus, and approximately HK\$139.5 million assuming the Over-allotment Option is not exercised and an Offer Price of HK\$1.40 per Share, being the low-end of the indicative Offer Price range stated in this prospectus.

As the Over-allotment Option only involves the Shares which may be sold by the Over-allotment Option Grantor, we will not receive any proceeds from the exercise of the Over-allotment Option. In the event the Over-allotment Option is exercised in full and assuming an Offer Price of HK\$1.60 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the Over-allotment Option Grantor will receive net proceeds of approximately HK\$31.3 million.

If the Offer Price is fixed at HK\$1.80 per Offer Share (being the high-end of the indicative Offer Price range stated in this prospectus), we will receive additional net proceeds of (i) approximately HK\$25.8 million, assuming the Over-allotment Option is not exercised; and (ii) approximately HK\$25.8 million, assuming the Over-allotment Option is exercised in full.

If the Offer Price is fixed at HK\$1.40 per Offer Share (being the low-end of the indicative Offer Price range stated in this prospectus), the net proceeds we receive will be reduced by (i) approximately HK\$25.8 million, assuming the Over-allotment Option is not exercised; and (ii) approximately HK\$25.8 million, assuming the Over-allotment Option is exercised in full.

In the event that we receive net proceeds from the Global Offering higher or lower than the estimated amount stated above (including where we make a Downward Offer Price Adjustment to set the Offer Price at HK\$1.26 per Offer Share upon making a full Downward Offer Price Adjustment), we will increase or decrease the intended use of the net proceeds for the above purposes on a pro rata basis. If we make a Downward Offer Price Adjustment to set the final Offer Price at HK\$1.26 per Offer Share, the estimated net proceeds we will receive from the Global Offering will be further reduced to approximately HK\$121.4 million.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will issue an appropriate announcement if there is any material change in the abovementioned use of proceeds.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

On 13 December 2019, our Company, the Sole Sponsor and the Joint Global Coordinators have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investor Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together, the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased for an aggregate amount of HK\$23.4801 million (Hong Kong dollars equivalent of US\$3 million at the exchange rate of HK\$7.8267: US\$1.0000) at the Offer Price (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) (the “**Cornerstone Placing**”). Our Company expects that the introduction of such cornerstone investors will signify their confidence in our Company and the worthiness of investing in our Company, thereby strengthening potential investors’ confidence in our Company.

Assuming the Offer Price of HK\$1.40, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed by the Cornerstone Investors would be 16,770,000 Shares, representing approximately 12.33% of the Offer Shares (assuming the Over-allotment Option is not exercised) and approximately 10.72% of the Offer Shares (assuming the Over-allotment Option is exercised in full), and approximately 1.68% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) and approximately 1.68% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is exercised in full).

Assuming the Offer Price of HK\$1.60 being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed by the Cornerstone Investors would be 14,672,000 Shares, representing approximately 10.79% of the Offer Shares (assuming the Over-allotment Option is not exercised) and approximately 9.38% of the Offer Shares (assuming the Over-allotment Option is exercised in full), and approximately 1.47% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) and approximately 1.47% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is exercised in full).

Assuming the Offer Price of HK\$1.80, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed by the Cornerstone Investors would be 13,044,000 Shares, representing approximately 9.59% of the Offer Shares (assuming the Over-allotment Option is not exercised) and approximately 8.34% of the Offer Shares (assuming the Over-allotment Option is exercised in full), and approximately 1.30% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) and approximately 1.30% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is exercised in full).

CORNERSTONE INVESTORS

Assuming the Offer Price of HK\$1.26, being the Offer Price when a full Downward Price Adjustment is made, the total number of Shares to be subscribed by the Cornerstone Investors would be 18,632,000 Shares, representing approximately 13.70% of the Offer Shares (assuming the Over-allotment Option is not exercised) and approximately 11.91% of the Offer Shares (assuming the Over-allotment Option is exercised in full), and approximately 1.86% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) and approximately 1.86% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is exercised in full).

The Cornerstone Placing will form part of the International Offering. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Cornerstone Investors is an Independent Third Party, which is independent of each other, our Group, its connected person(s) and respective associate(s) and is not an existing shareholder or close associate of our Group. None of the Cornerstone Investors or their shareholders thereof is listed on any stock exchanges. The Shares to be subscribed for by the Cornerstone Investors will be counted towards the public float of our Company and will rank *pari passu* with the Shares then in issue and to be listed on the Stock Exchange.

Each of our Directors has confirmed that (i) there will be no defer settlement in payment and/or defer delivery of the Shares to be subscribed by the Cornerstone Investors and (ii) there will be no side agreement/arrangement between our Group and the Cornerstone Investors. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any Board representation in our Company, nor will any of them become a substantial shareholder or connected person of our Company, and will not further subscribe any Offer Shares in the Global Offering. Neither of the Cornerstone Investors has any preferential rights compared with other public shareholders pursuant to the Cornerstone Investor Agreements. None of the Cornerstone Investors is accustomed to take instructions from or financed by our Company, the Directors, chief executive of our Company, Controlling Shareholders, substantial shareholders or existing Shareholders or any of its subsidiaries or their respective close associates. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

Details of allocation to the Cornerstone Investors will be disclosed in the announcement of allotment results of our Company to be published on or about Monday, 30 December 2019.

CORNERSTONE INVESTORS

THE CORNERSTONE INVESTORS

We set out below a brief description of each of the Cornerstone Investors:

Huobi Capital Inc.

Our Company, the Sole Sponsor and the Joint Global Coordinators, have entered into a Cornerstone Investment Agreement on 13 December 2019 with Huobi Capital Inc. (“**Huobi Capital**”), pursuant to which Huobi Capital agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of HK\$7.8267 million (Hong Kong dollars equivalent of US\$1 million at the exchange rate of HK\$7.8267: US\$1.0000) (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at the Offer Price.

Assuming that the Over-allotment Option is not exercised, at the Offer Price of HK\$1.40, being the low-end of the Offer Price range set out in this prospectus, the total number of Shares that Huobi Capital would subscribe for would be 5,590,000 Shares, representing approximately 4.11% of the total number of the Offer Shares and 0.56% of our total shares in issue immediately following completion of the Global Offering; at the Offer Price of HK\$1.60, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Huobi Capital would subscribe for would be 4,890,000 Shares, representing approximately 3.60% of the total number of the Offer Shares and 0.49% of our total shares in issue immediately following completion of the Global Offering; at the Offer Price of HK\$1.80, being the high-end of the Offer Price range set out in this prospectus, the total number of Shares that Huobi Capital would subscribe for would be 4,348,000 Shares, representing approximately 3.20% of the total number of the Offer Shares and 0.43% of our total shares in issue immediately following completion of the Global Offering; and at the Offer Price of HK\$1.26, being the Offer Price when the full Downward Price Adjustment is made, the total number of Shares that Huobi Capital would subscribe for would be 6,210,000 Shares, representing approximately 4.57% of the total number of the Offer Shares and 0.62% of our total shares in issue immediately following completion of the Global Offering.

Assuming that the Over-allotment Option is exercised in full, at the Offer Price of HK\$1.40, being the low-end of the Offer Price range set out in this prospectus, the total number of Shares that Huobi Capital would subscribe for would be 5,590,000 Shares, representing approximately 3.57% of the total number of the Offer Shares and 0.56% of our total shares in issue immediately following completion of the Global Offering; at the Offer Price of HK\$1.60, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Huobi Capital would subscribe for would be 4,890,000 Shares, representing approximately 3.13% of the total number of the Offer Shares and 0.49% of our total shares in issue immediately following completion of the Global Offering; at the Offer Price of HK\$1.80, being the high-end of the Offer Price range set out in this prospectus, the total number of Shares that Huobi Capital would subscribe for would be 4,348,000 Shares, representing approximately 2.78% of the total number of the Offer Shares and 0.43% of our total shares in issue immediately following completion of the Global Offering; and at the Offer Price of

CORNERSTONE INVESTORS

HK\$1.26, being the Offer Price when the full Downward Price Adjustment is made, the total number of Shares that Huobi Capital would subscribe for would be 6,210,000 Shares, representing approximately 3.97% of the total number of the Offer Shares and 0.62% of our total shares in issue immediately following completion of the Global Offering.

The number of Shares to be subscribed by Huobi Capital should not exceed 10% of the total shares in issue immediately following the completion of the Global Offering.

Huobi Capital is a limited company incorporated under the laws of Cayman Islands on 23 November 2017, which focuses on investment in companies related to blockchain technology. Huobi Capital is wholly-owned by Mr. Li Lin (李林), who is also the founder of Huobi Group, a platform providing digital asset trading and asset management services. Huobi Group comprises of a number of companies, including Huobi Global Limited, Huobi Universal Inc. and Huobi Capital, which, in turn, are currently, directly or indirectly, under common control of Mr. Li. Huobi Global Limited runs a digital asset trading platform whereas Huobi Universal Inc. is an investment holding company investing or exploring investment opportunities in various technology or innovation companies.

Mr. Li is an entrepreneur with around 10 years of experience in technology, corporate management and blockchain, who obtained a master's degree in control science and engineering from Tsinghua University (清華大學). Mr. Li currently serves as the chairman and chief executive officer of Huobi Group, and an executive director, chairman of the board of directors and chief executive officer of Huobi Technology Holdings Limited (a company whose shares are listed on the Stock Exchange (Stock Code: 1611)). From March 2016 to November 2017, Mr. Li acted as a director in Beijing Julian Times Technology Group Co., Ltd. (北京聚鏈時代科技集團股份有限公司), formerly known as Beijing Caimao Times Network Co., Ltd. (北京財貓時代網絡股份有限公司), the shares of which are listed on the NEEQ (Stock Code: 430361.NQ).

Our Group was first acquainted with Mr. Li through mobile advertising platform business cooperation with another entity controlled by him.

To the best knowledge of our Directors, each of Huobi Capital and Mr. Li is an Independent Third Party, and save as disclosed above, has no past or present relationship with any of the Company, the Directors, the senior management, the chief executive of the Company, controlling shareholders, substantial shareholders or existing shareholders of the Company or any of its subsidiaries or their respective associate (as defined in the Listing Rules). The investment of Huobi Capital will be funded by its self-owned funds.

CORNERSTONE INVESTORS

LC Elec Trade Co., Limited

Our Company, the Sole Sponsor and the Joint Global Coordinators have entered into a Cornerstone Investment Agreement on 13 December 2019 with LC Elec Trade Co., Limited (“**LC Elec**”), pursuant to which LC Elec agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of HK\$15.6534 million (Hong Kong dollars equivalent of US\$2 million at the exchange rate of HK\$7.8267: US\$1.0000) (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at the Offer Price.

Assuming that the Over-allotment Option is not exercised, at the Offer Price of HK\$1.40, being the low-end of the Offer Price range set out in this prospectus, the total number of Shares that LC Elec would subscribe for would be 11,180,000 Shares, representing approximately 8.22% of the total number of the Offer Shares and 1.12% of our total shares in issue immediately following completion of the Global Offering; at the Offer Price of HK\$1.60, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that LC Elec would subscribe for would be 9,782,000 Shares, representing approximately 7.19% of the total number of the Offer Shares and 0.98% of our total shares in issue immediately following completion of the Global Offering; at the Offer Price of HK\$1.80, being the high-end of the Offer Price range set out in this prospectus, the total number of Shares that LC Elec would subscribe for would be 8,696,000 Shares, representing approximately 6.39% of the total number of the Offer Shares and 0.87% of our total shares in issue immediately following completion of the Global Offering; and at the Offer Price of HK\$1.26, being the Offer Price when the full Downward Price Adjustment is made, the total number of Shares that LC Elec would subscribe for would be 12,422,000 Shares, representing approximately 9.13% of the total number of the Offer Shares and 1.24% of our total shares in issue immediately following completion of the Global Offering.

Assuming that the Over-allotment Option is exercised in full, at the Offer Price of HK\$1.40, being the low-end of the Offer Price range set out in this prospectus, the total number of Shares that LC Elec would subscribe for would be 11,180,000 Shares, representing approximately 7.15% of the total number of the Offer Shares and 1.12% of our total shares in issue immediately following completion of the Global Offering; at the Offer Price of HK\$1.60, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that LC Elec would subscribe for would be 9,782,000 Shares, representing approximately 6.25% of the total number of the Offer Shares and 0.98% of our total shares in issue immediately following completion of the Global Offering; at the Offer Price of HK\$1.80, being the high-end of the Offer Price range set out in this prospectus, the total number of Shares that LC Elec would subscribe for would be 8,696,000 Shares, representing approximately 5.56% of the total number of the Offer Shares and 0.87% of our total shares in issue immediately following completion of the Global Offering; and at the Offer Price of HK\$1.26, being the Offer Price when the full Downward Price Adjustment is made, the total number of Shares that LC Elec would subscribe for would be 12,422,000 Shares, representing approximately 7.94% of the total number of the Offer Shares and 1.24% of our total shares in issue immediately following completion of the Global Offering.

CORNERSTONE INVESTORS

The number of Shares to be subscribed by LC Elec should not exceed 10% of the total shares in issue immediately following the completion of the Global Offering.

LC Elec is a limited company incorporated under the laws of Hong Kong on 13 September 2019 and is principally engaged in cross-border e-commerce business. LC Elec is wholly-owned by Mr. Chen Shouwei (陳守偉) (“**Mr. Chen**”), a PRC national and a personal acquaintance of Mr. Liu Chunhe.

Mr. Chen obtained a bachelor’s degree in engineering from Anhui Agricultural University (安徽農業大學). He has begun to set foot in the field of e-commerce in May 2016, acting as the chief operating officer Dongfang Modao (Beijing) Technology Co., Ltd. (東方莫道(北京) 科技有限公司) (“**Dongfang Modao**”, formerly known as Beijing Suji Mobile Network Technology Co., Ltd. (北京速極移動網絡技術有限公司)), which is a limited company established under the laws of the PRC that focuses on e-commerce business through leveraging its independent core technologies and combining with Chinese manufacturing advantages.

Since 2018, with an intent to develop his own business, Mr. Chen applied the connections gained through such previous experience to launch his cross-border e-commerce business in a personal basis, and subsequently expanded such business through (i) the establishment of LC Elec on 13 September 2019; and (ii) the acquisition of the equity interest in Dongfang Modao on 11 September 2019, following which, Dongfang Modao was renamed and became wholly-owned by Mr. Chen.

Prior to Mr. Chen’s abovementioned acquisition of Dongfang Modao, during 19 August 2016 and up to 24 December 2018, the equity interest of Dongfang Modao was held as to 10% by Mr. Wu Shichun. Mr. Wu Shichun is a director of NewBornTown Mobile Technology as of the Latest Practicable Date and the beneficial owner of one of the Pre-IPO Investors.

To the best knowledge of our Directors, each of LC Elec and Mr. Chen is an Independent Third Party, and save as disclosed above, has no past or present relationship with any of the Company, the Directors, the senior management, the chief executive of the Company, controlling shareholders, substantial shareholders or existing shareholders of the Company or any of its subsidiaries or their respective associate (as defined in the Listing Rules). The investment of LC Elec will be funded by its self-owned funds.

CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investor is subject to, among others, the following conditions precedent:

- (a) the Hong Kong Public Offer Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the respective underwriting agreements;

CORNERSTONE INVESTORS

- (b) neither of the aforesaid underwriting agreements having been terminated;
- (c) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) on the Main Board of the Stock Exchange and that such approval or permission having not been revoked;
- (d) the Offer Price having been agreed upon between the Company and the Joint Global Coordinators;
- (e) no laws shall have been enacted or promulgated which prohibits the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or in the Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (f) the respective representations, warranties, undertakings, acknowledgements and confirmations of the Cornerstone Investor (as of the date of the Cornerstone Investment Agreement) are and (as of the Listing Date and, where applicable, such later date as the Joint Global Coordinators shall notify the Cornerstone Investor) will be accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

The Cornerstone Investors agree, covenant with and undertakes(s) to the Company, the Sole Sponsor and the Joint Global Coordinators that unless it has obtained prior written consent of each of the Company, the Sole Sponsor and the Joint Global Coordinators, it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months starting from and inclusive of the Listing Date (the “**Lock-up Period**”), (i) dispose of any of the Shares to be purchased by the Cornerstone Investor pursuant to the Cornerstone Investment Agreement, or any shares or other securities of the Company which are derived therefrom pursuant to any rights issue, capitalisation issue or other form of capital reorganisation (whether such transactions are to be settled in cash or otherwise) and any interest therefrom (the “**Relevant Shares**”), or any interest in any company or entity (directly or indirectly) holding any Relevant Shares in any way; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-Backs promulgated by the SFC) at the level of its ultimate beneficial owner; (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions; (iv) publicly announce any intention to enter into any aforesaid transaction; or (v) agree or contract to do any aforesaid transactions.

UNDERWRITING

HONG KONG PUBLIC OFFER UNDERWRITERS

CMBC Securities Company Limited
Haitong International Securities Company Limited
SBI China Capital Financial Services Limited
Fortune (HK) Securities Limited
Zhongtai International Securities Limited
Elstone Securities Limited
Shanxi Securities International Limited
China Everbright Securities (HK) Limited
ABCI SECURITIES COMPANY LIMITED
China Industrial Securities International Capital Limited
Luk Fook Securities (HK) Limited
Futu Securities International (Hong Kong) Limited
Alpha International Securities (HONG KONG) Limited
Valuable Capital Limited
RSI Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Public Offer Underwriting Agreement

Pursuant to the Hong Kong Public Offer Underwriting Agreement, our Company is offering initially 13,600,000 Hong Kong Public Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus and the Application Forms at the Offer Price.

Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering as mentioned herein (including the Shares which may be sold by the Over-allotment Option Grantor pursuant to the Over-allotment Option), and to certain other conditions set out in the Hong Kong Public Offer Underwriting Agreement, each of the Hong Kong Public Offer Underwriters has agreed to subscribe, or procure subscribers to subscribe for the Hong Kong Public Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions as set out in this prospectus, the Application Forms and the Hong Kong Public Offer Underwriting Agreement.

The Hong Kong Public Offer Underwriting Agreement is conditional on and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Public Offer Underwriters) and the Sole Sponsor may, in its sole and absolute discretion, terminate the Hong Kong Public Offer Underwriting Agreement upon the occurrence of any of the following events before 8:00 a.m. on the Listing Date:

- (i) there develops, occurs, exists or comes into force:
 - (a) any change or development involving a prospective change (whether or not permanent) or development, or any event or series of events likely to result in or represent a change or development, or prospective change or development, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in stock, credit and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the RMB against any foreign currencies) in or affecting the PRC, Hong Kong, Japan, Singapore, the United States, the European Union (or any member thereof) and the United Kingdom or any other jurisdiction relevant to any member of our Group (the “**Relevant Jurisdictions**”); or
 - (b) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting the Relevant Jurisdictions; or
 - (c) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease (including, but not limited to, SARS, H5N1 and H1N1 and such related/mutated forms), economic sanctions (in whatever form, directly or indirectly), strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, volcanic eruptions, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting any Relevant Jurisdiction; or
 - (d) (1) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the

UNDERWRITING

Tokyo Stock Exchange or trading in any securities of our Company or any other member of our Group listed or quoted on a stock exchange or an over-the-counter market; or (2) any general moratorium on commercial banking activities in any Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or

- (e) any change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar or the RMB against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (f) any adverse change or prospective adverse change in the earnings, business, business prospects, financial or trading position, or conditions (financial or otherwise) of our Group (including any litigation or claim being threatened or instigated against our Group); or
- (g) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (h) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or the chairman or the chief executive officer of our Company vacating his office; or the commencement by any regulatory or political body or organisation of any investigation or action against a Director or an announcement by any regulatory or political body or organisation that it intends to investigate or take any such action; or
- (i) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (j) a valid demand by any creditor for repayment or payment of any indebtedness of our Group or in respect of which our Group is liable prior to its stated maturity, or any loss or damage sustained by our Company or any of its subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or

UNDERWRITING

- (k) any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group, our executive Directors and/or our Controlling Shareholders Group; or
- (l) a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (m) a prohibition on our Company for whatever reason from offering, allotting or issuing, the Shares pursuant to the terms of the Global Offering; or
- (n) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (or any member thereof) on the PRC or any of the Relevant Jurisdictions; or
- (o) any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) with the Listing Rules or any other applicable Laws; or
- (p) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;

and which, individually or in the aggregate in the sole and absolute opinion of the Joint Global Coordinators and the Sole Sponsor:

- (1) has or will or may or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or
- (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Shares in the secondary market; or
- (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or
- (4) has or will have or may or is likely to have the effect of making any part of the Hong Kong Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

UNDERWRITING

- (ii) there has come to the notice of the Joint Global Coordinators or the Sole Sponsor:
 - (a) that any statement contained in this prospectus, the Application Forms, the formal notice, any announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incorrect, inaccurate in any material respect, or misleading or deceptive in any respect or that any forecast, estimate, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable assumptions; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, result in a misstatement therein, or constitute a material omission therefrom; or
 - (c) any breach of, or any event or circumstance rendering untrue or incorrect, misleading or deceptive in any respect, any of the warranties under the Hong Kong Public Offer Underwriting Agreement; or
 - (d) any event, act or omission which gives or is likely to give rise to any material liability of any of the indemnifying parties under the Hong Kong Public Offer Underwriting Agreement; or
 - (e) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (f) any adverse change or development involving a prospective material adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group; or
 - (g) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
 - (h) any person (other than the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Hong Kong Underwriters) has withdrawn or is subject to withdraw its consent to being named in this prospectus or to the issue of this prospectus; or
 - (i) any breach of any of the obligations imposed upon any party to the Hong Kong Public Offer Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Underwriters).

UNDERWRITING

Restrictions pursuant to the Listing Rules

(a) Restriction on further issue of Shares by us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which our Shares commence dealing on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except: (a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; or (b) pursuant to the Global Offering.

(b) Restriction on disposal of Shares by the Controlling Shareholders Group

Pursuant to Rule 10.07 of the Listing Rules, each member of the Controlling Shareholders Group has undertaken to each of the Stock Exchange and our Company that, except pursuant to the Global Offering, he/it shall not and shall procure that the relevant registered Shareholder(s) shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the Listing Rules:

- (1) in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner; and
- (2) in the period of six months commencing on the date on which the period referred to in paragraph (1) expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (1) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a group of controlling shareholders of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each member of the Controlling Shareholders Group has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its/his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

- (1) when it/he pledges or charges any securities of our Company or interests therein beneficially owned by it/him in favour of any authorized institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and

UNDERWRITING

- (2) when it/he receives indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by the Controlling Shareholders Group and disclose such matters by way of an announcement to be published as required under the Listing Rules.

Undertakings pursuant to the Hong Kong Public Offer Underwriting Agreement

(a) Undertaking by us

We have undertaken to each of the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Public Offer Underwriters that our Company shall, and each member of the Controlling Shareholders Group undertakes to the Hong Kong Public Offer Underwriters to procure that our Company shall, at any time during the period commencing on the date of the Hong Kong Public Offer Underwriting Agreement and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), except pursuant to the Global Offering not without the prior written consent of the Sole Sponsor and the Joint Global Coordinators, and subject always to the provisions of the Listing Rules:

- (1) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depository in connection with the issue of depository receipts; or
- (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable); or

UNDERWRITING

- (3) enter into any transaction with the same economic effect as any transaction specified above; or
- (4) offer to or agree to or announce any intention to effect any transaction specified above.

In the event that our Company does any of the foregoing during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company shall take all reasonable steps to ensure that any such act, if done, will not create a disorderly or false market in the securities of our Company.

(b) Undertaking by the Controlling Shareholders Group

Each member of the Controlling Shareholders Group undertakes to us and the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Public Offer Underwriters that, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (1) it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing); or (iii) enter into any transaction with the same economic effect as any transaction specified in (1)(i) or (1)(ii) of this paragraph; or (iv) offer to or agree to or announce any intention to effect any transaction specified in (1)(i), (1)(ii) or (1)(iii) of this paragraph, in each case, whether any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) of this paragraph is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

UNDERWRITING

- (2) it will not, during the Second Six-Month Period, enter into any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, the Controlling Shareholders Group will cease to be a group of controlling shareholders of our Company;
- (3) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company;
- (4) until the expiry of the Second Six-Month Period, when it/he pledges or charges any securities of our Company or interests therein beneficially owned by it/him in favour of any authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company, the Sole Sponsor and the Joint Global Coordinators in writing of such pledge or charge together with the number of securities so pledged or charged; and
- (5) until the expiry of the Second Six-Month Period, when it/he receives indications, either verbal or written, from the pledgee or charges that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company, the Sole Sponsor and the Joint Global Coordinators in writing of such indications.

Indemnity

Each of our Company and the members of the Controlling Shareholders Group has agreed to, jointly and severally, indemnify the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Public Offer Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Public Offer Underwriting Agreement and any breach by our Company and/or the Controlling Shareholders Group of the Hong Kong Public Offer Underwriting Agreement.

UNDERWRITING

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters, the Joint Global Coordinators, the Controlling Shareholders Group and the Over-allotment Option Grantor. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions set out therein, will agree to procure subscribers or purchasers for the International Offer Shares, failing which it agrees to subscribe for or purchase the International Offer Shares which are not taken up under the International Offering.

Over-allotment Option

The Over-allotment Option Grantor is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require the Over-allotment Option Grantor to sell up to an aggregate of 20,400,000 additional Shares, together representing 15% of the number of Shares initially being offered under the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any.

Grounds for Termination

It is expected that the International Underwriting Agreement may be terminated on similar grounds as those in the Hong Kong Public Offer Underwriting Agreement. Potential investors are reminded that if the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Commissions and Expenses

The Hong Kong Public Offer Underwriters will receive from us an underwriting commission of 3% (and an additional incentive of up to 1%) of the aggregate Offer Price payable for the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Public Offer Shares reallocated to the International Offering). For unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters.

UNDERWRITING

The aggregate commissions and fees (excluding the discretionary incentive fee), together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us and/or the Over-allotment Option Grantor (as the case maybe) relating to the Global Offering are estimated to amount to approximately RMB46.2 million in total (based on an Offer Price of HK\$1.60 being the mid-point of our indicative price range of the Global Offering and assuming that the Over-allotment Option is exercised in full).

Hong Kong Public Offer Underwriters' Interests in our Group

Save as disclosed in this prospectus and other than its obligations pursuant to the Hong Kong Public Offer Underwriting Agreement, as of the Latest Practicable Date, the Hong Kong Public Offer Underwriters are not interested, legally or beneficially, directly or indirectly, in any Shares or other securities in our Company or any other member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any Shares or other securities in our Company or any other member of our Group.

Following the completion of the Global Offering, the Hong Kong Public Offer Underwriters and its affiliates may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Public Offer Underwriting Agreement.

Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of 13,600,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under “– *Hong Kong Public Offering*”; and
- the International Offering of 122,400,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below), outside the United States in offshore transactions in reliance on Regulation S. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Joint Global Coordinators, on behalf of the International Underwriters, have an option to require the Over-allotment Option Grantor to sell up to an aggregate of 20,400,000 additional Offer Shares, representing 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover over-allocation in the International Offering, if any.

Investors may apply for the Hong Kong Public Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong and other investors anticipated to have a sizeable demand for the International Offer Shares within Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors in other jurisdictions outside the United States in reliance on Regulation S.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Offering respectively may be subject to reallocation as described in “– *Pricing and Allocation*.”

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate only to the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring the International Offer Shares under the International Offering. Prospective professional and institutional investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, 20 December 2019 and in any event no later than Monday, 30 December 2019, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company. The number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will be not more than HK\$1.80 per Offer Share and is expected to be not less than HK\$1.40 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the offer price to be determined on the Price Determination Date may be, but is not expected to be, lower than the bottom end of the Offer Price range (i.e. HK\$1.40 per Offer Share) stated in this prospectus (subject to a Downward Offer Price Adjustment).

Based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, where the Joint Global Coordinators, with our consent, considers it appropriate, reduce the indicative Offer Price range and/or the number of Offer Shares below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English), Hong Kong Economic Times (in Chinese), the website of our Company (www.newborntown.com) and the website of the Stock Exchange (www.hkexnews.hk), notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. Before submitting applications for Hong Kong Public Offer Shares, applicants should have regard to

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may, at its discretion, reallocate the number of Offer Shares to be offered under the Global Offering, provided that the number of Hong Kong Public Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Hong Kong Public Offer Shares to be offered under the Hong Kong Public Offering and the International Offer Shares to be offered under the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

Announcement of Offer Price Reduction

The Joint Global Coordinators (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of our Company, determine the final Offer Price to be no more than 10% below HK\$1.40 (bottom end of the indicative Offer Price range), at any time on or prior to the Price Determination Date. In such situation, our Company will, as soon as practicable following the decision to set the final Offer Price below HK\$1.40 (bottom end of the indicative Offer Price range), publish on the website of the Stock Exchange www.hkexnews.hk and the Company's website www.newborntown.com an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Monday, 30 December 2019. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed. In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilised.

Announcement of Final Offer Price

Irrespective of whether a Downward Offer Price Adjustment is made, the Offer Price under the Global Offering is expected to be announced on Monday, 30 December 2019. The indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Public Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Monday, 30 December 2019 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of our Company (www.newborntown.com) and the website of the Stock Exchange (www.hkexnews.hk).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee granting listing of, and permission to deal in, the Offer Shares to be issued pursuant to the Global Offering, and such listing and permission not having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;
- (ii) the Offer Price having been duly agreed between us and the Joint Global Coordinators on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Underwriting Agreements having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such underwriting agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event, not later than the date that is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed by 5:00 p.m., on Monday, 30 December 2019 between the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) and us, the Global Offering will not proceed and will lapse.

The consummation of each of the Global Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be caused to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of our Company (www.newborntown.com) and the website of the Stock Exchange (www.hkexnews.hk) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for Hong Kong Public Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licenced under the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Monday, 30 December 2019 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 31 December 2019, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Grounds for Termination” in this prospectus has not been exercised.

HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

We are initially offering 13,600,000 Hong Kong Public Offer Shares at the Offer Price, representing 10% of the 136,000,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of the Offer Shares between the Global Offering, the number of Hong Kong Public Offer Shares will represent approximately 1.36% of our Company’s issued share capital immediately after completion of the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in “– *Conditions of the Hong Kong Public Offering*”

Allocation

Allocation of Hong Kong Public Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants, although the allocation of Hong Kong Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares available for subscription under the Hong Kong Public Offering (after taking into account any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B.

- Pool A: The Hong Kong Public Offer Shares in pool A will consist of 6,800,000 Offer Shares (being 50% of the total number of Offer Shares initially available under the Hong Kong Public Offering) and will be allocated on an equitable basis to

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

applicants who have applied for Hong Kong Public Offer Shares with a total subscription amount of HK\$5 million or less (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee); and

- Pool B: The Hong Kong Public Offer Shares in pool B will consist of 6,800,000 Offer Shares (being 50% of the total number of Offer Shares initially available under the Hong Kong Public Offering) and will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount of more than HK\$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee).

Applicants should be aware that applications in pool A and pool B are likely to receive different allocation ratios. If Hong Kong Public Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “subscription price” for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 6,800,000 Hong Kong Public Offer Shares initially included in the Hong Kong Public Offering are liable to be rejected.

Reallocation and Clawback

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation on the following basis:

- (a) if both the Hong Kong Public Offer Shares and the International Offer Shares are undersubscribed, the Global Offering shall not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements;
- (b) if the Hong Kong Public Offer Shares are undersubscribed and the International Offer Shares are oversubscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate;
- (c) the International Offer Shares are fully subscribed or oversubscribed, and:
 - (i) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 27,200,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Offer Shares available under the Hong Kong Public Offering will be increased to 40,800,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering;

- (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 40,800,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 54,400,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering; and
- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 54,400,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 68,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering,

in each case the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

- (d) pursuant to the Stock Exchange's Guidance Letter HKEX-GL91-18:
 - (i) if the International Offer Shares are undersubscribed and if the Hong Kong Public Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering in such circumstances; or
 - (ii) if the International Offer Shares are fully subscribed or oversubscribed, and if the Hong Kong Public Offer Shares are fully subscribed or oversubscribed but the number of Shares validly applied for under the Hong Kong Public Offering represents less than 15 times of the initial number of the Hong Kong Public Offer Shares,

then, provided that the final Offer Price is fixed at the low-end of the indicative Offer Price range (i.e. HK\$1.40 per Offer Share) stated in this prospectus, in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, up to 13,600,000 Offer Shares may be reallocated from the International Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will be increased up to 27,200,000 Offer Shares, and such limit represents 20% of the number of the Offer Shares initially available under the Global Offering.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

Applications

The Joint Global Coordinators and the Sole Sponsor may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators and the Sole Sponsor so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Hong Kong Public Offer Shares under the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for, taken up or indicated an interest in, and will not apply for, take up or indicate an interest in, any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue.

Applicants for Hong Kong Public Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$1.80 per Hong Kong Public Offer Share plus the brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined in the manner described in “*Pricing and Allocation*” is less than HK\$1.80 per Offer Share, being the maximum Offer Price, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applications, without interest. Please refer to the section headed “How To Apply For Hong Kong Public Offer Shares” in this prospectus.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

Subject to reallocation as described above, the International Offering will consist of initially 122,400,000 International Offer Shares, representing 90% of the Offer Shares under the Global Offering and approximately 12.2% of our Company's enlarged share capital immediately after the completion of the Global Offering.

Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the book-building process and based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Offer Shares after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators and the Sole Sponsor may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators and the Sole Sponsor so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Hong Kong Public Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be sold and issued pursuant to the International Offering may change as a result of the clawback arrangement described in “*Hong Kong Public Offering – Reallocation and Clawback*,” any exercise of the Over-allotment Option and/or any reallocation of unsold Offer Shares originally included in the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Over-allotment Option Grantor to sell up to an aggregate of 20,400,000 Shares, representing 15% of the initial number of Offer Shares to be offered in the Global Offering, at the same price per Offer Share under the International Offering, to cover over-allocations in the International Offering (if any). In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period up to the 30th day after the last day for lodging applications under the Hong Kong Public Offering. Any market purchases of our Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it, to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it, and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold upon exercise of the Over-allotment Option, namely 20,400,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilising actions permitted in Hong Kong under the Securities and Futures (Price Stabilizing) Rules, as amended, include: (a) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above; (d) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (e) selling or agreeing to sell any Shares in order to liquidate any position held as a result of the abovementioned purchases; and (f) offering or attempting to do anything described in (b), (c), (d) or (e) above.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Specifically, prospective applicants for and investors in our Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position;
- liquidation and selling of any such long position in the open market by the Stabilising Manager, its affiliates or any person acting for it, may have an adverse impact on the market price of our Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilisation period by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules, as amended, will be made within seven days of the expiration of the stabilisation period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may choose to borrow up to 20,400,000 Shares (being the maximum number of Shares which may be sold pursuant to the exercise of the Over-allotment Option) from the Over-allotment Option Grantor, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilising Manager (or any person acting for it) and the Over-allotment Option Grantor on or about the Price Determination Date.

If the Stock Borrowing Agreement with the Over-allotment Option Grantor is entered into, the borrowing of Shares will only be effected by the Stabilising Manager, its affiliates or any person acting for it for the settlement of over-allocations in the International Offering. The same number of Shares so borrowed must be returned to the Over-allotment Option Grantor or

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to the Over-allotment Option Grantor by the Stabilising Manager (or any person acting for it) in relation to such stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 31 December 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 31 December 2019. The Shares will be traded in board lots of 2,000 Shares.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** Service Provider at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the U.S., and are not a United States Person (within the meaning of Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid email address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- (i) an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- (ii) a Director or chief executive officer of our Company and/or any of its subsidiaries;
- (iii) a close associate (as defined in the Listing Rules) of any of the above;
- (iv) a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering; and
- (v) have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Tuesday, 17 December 2019 until 12:00 noon, Friday, 20 December 2019 from:

- (i) the following office of the Joint Global Coordinators:

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place, Central, Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

SBI China Capital Financial Services Limited

4/F, Henley Building
No. 5 Queen's Road Central
Hong Kong

(ii) any of the branches of the following receiving bank:

CMB Wing Lung Bank Limited

<u>District</u>	<u>Branch</u>	<u>Address</u>
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Central District Branch	189 Des Voeux Road Central
Kowloon	Mongkok Branch	B/F, CMB Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
New Territories	Tsuen Wan Branch	251 Sha Tsui Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m., Tuesday, 17 December 2019 until 12:00 noon, Friday, 20 December 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "CMB Wing Lung (Nominees) Limited – Newborn Town Inc. Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Tuesday, 17 December 2019 – 9:00 a.m. to 5:00 p.m.

Wednesday, 18 December 2019 – 9:00 a.m. to 5:00 p.m.

Thursday, 19 December 2019 – 9:00 a.m. to 5:00 p.m.

Friday, 20 December 2019 – 9:00 a.m. to 12:00 noon

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon Friday, 20 December 2019, the last application day or such later time as described in “10. *Effect of Bad Weather on the Opening of the Applications Lists*” below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agent of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (h) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the U.S. (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (q) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “2. *Who can apply*” section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m., Tuesday, 17 December 2019 until 11:30 a.m., Friday, 20 December 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 20 December 2019 or such later time under the “10. *Effect of Bad Weather on the Opening of the Applications Lists*” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to sustainability

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “NEWBORN TOWN INC.” **White Form eIPO** application submitted via the website www.eipo.com.hk to support sustainability.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (b) HKSCC Nominees will do the following things on your behalf:
 - (i) agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - (ii) agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
 - (iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (iv) (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (v) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - (vi) confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - (vii) authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (ix) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- (x) agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- (xi) agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents;
- (xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- (xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- (xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- (xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- (i) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- (ii) instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- (iii) instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Public Offer Shares. Instructions for more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 17 December 2019 – 9:00 a.m. to 8:30 p.m.

Wednesday, 18 December 2019 – 8:00 a.m. to 8:30 p.m.

Thursday, 19 December 2019 – 8:00 a.m. to 8:30 p.m.

Friday, 20 December 2019 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 17 December 2019 until 12:00 noon on Friday, 20 December 2019 (24 hours daily, except on 20 December 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 20 December 2019, the last application day or such later time as described in “10. *Effect of Bad Weather on the Opening of the Application Lists*” below.

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 20 December 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- (i) an account number; or
- (ii) some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- (i) the principal business of that company is dealing in securities; and
- (ii) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- (i) control the composition of the board of directors of the company;
- (ii) control more than half of the voting power of the company; or
- (iii) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Please see “*Structure and Conditions of the Global Offering – Pricing and Allocation*” in this prospectus for further details regarding the Offer Price.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- (i) a tropical cyclone warning signal number 8 or above;
- (ii) a “black” rainstorm warning; and/or
- (iii) Extreme Conditions;

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 20 December 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 20 December 2019 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Monday, 30 December 2019 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company’s website at www.newborntown.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- (i) in the announcement to be posted on our Company’s website at www.newborntown.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, 30 December 2019;
- (ii) from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 30 December 2019 to 12:00 midnight on Sunday, 5 January 2020;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (iii) by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, 30 December 2019 to Thursday, 2 January 2020;
- (iv) in the special allocation results booklets which will be available for inspection during opening hours on Monday, 30 December 2019, Tuesday, 31 December 2019 and Thursday, 2 January 2020 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- (i) within three weeks from the closing date of the application lists; or
- (ii) within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- (i) you make multiple applications or suspected multiple applications;
- (ii) you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offer Shares;
- (iii) your Application Form is not completed in accordance with the stated instructions;
- (iv) your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- (v) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- (vi) the Underwriting Agreements do not become unconditional or are terminated;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (vii) our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- (viii) your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure and Conditions of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, 30 December 2019.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (i) share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- (ii) refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Monday, 30 December 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 31 December 2019 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 30 December 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, 30 December 2019, by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, 30 December 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 30 December 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 30 December 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 30 December 2019, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, 30 December 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- (i) If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 30 December 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- (ii) Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "*Publication of Results*" above on Monday, 30 December 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 30 December 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- (iii) If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (iv) If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 30 December 2019. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- (v) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 30 December 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NEWBORN TOWN INC. AND CMBC INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Newborn Town Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-69, which comprises the consolidated balance sheets as at 31 December 2016, 2017 and 2018 and 30 June 2019, the Company's balance sheets as at 31 December 2018 and 30 June 2019 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") 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-4 to I-69 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 17 December 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's 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 accountant's 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 accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 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 accountant's report, a true and fair view of financial position of the Company as at 31 December 2018 and 30 June 2019 and the consolidated financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 June 2019 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") 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-4 have been made.

Dividends

We refer to note 14 to the Historical Financial Information which states that no dividends have been paid by Newborn Town Inc. in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 17 December 2019

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("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 COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Six months ended	
		2016 RMB'000	2017 RMB'000	2018 RMB'000	30 June 2018 RMB'000 (Unaudited)	2019 RMB'000
Revenue from contracts with customers	6	136,852	181,842	276,686	116,702	184,367
Cost of revenue	7	(65,949)	(111,468)	(135,266)	(60,343)	(61,493)
Gross Profit		70,903	70,374	141,420	56,359	122,874
Selling and marketing expenses	7	(9,919)	(33,693)	(68,975)	(23,368)	(52,736)
Research and development expenses	7	(2,596)	(11,538)	(17,492)	(8,790)	(9,512)
General and administrative expenses	7	(12,139)	(13,459)	(14,981)	(6,490)	(63,807)
Net impairment losses on financial assets	9	(10,123)	(1,584)	(6,963)	(1,194)	(438)
Other income	10	819	1,392	58	–	71
Other gain – net	10	19,238	25,374	35,723	21,796	23,923
Operating profit		56,183	36,866	68,790	38,313	20,375
Finance income		12	4	39	17	84
Finance cost		(215)	(94)	(219)	(128)	(54)
Finance cost, net		(203)	(90)	(180)	(111)	30
Fair value changes of convertible redeemable preferred shares	26	–	–	–	–	91
Profit before income tax		55,980	36,776	68,610	38,202	20,496
Income tax expenses	12	(14,765)	(4,795)	(8,873)	(4,992)	(8,770)
Profit for the year/period		<u>41,215</u>	<u>31,981</u>	<u>59,737</u>	<u>33,210</u>	<u>11,726</u>
Profit attributable to:						
Owners of the Company		41,215	31,981	59,737	33,210	11,726
Non-controlling interests		–	–	–	–	–
Other comprehensive income/(loss), net of tax						
Items that may be subsequently reclassified to profit or loss						
Currency translation differences		3,674	(7,277)	8,028	1,961	1,364
Total comprehensive income for the year/period		<u>44,889</u>	<u>24,704</u>	<u>67,765</u>	<u>35,171</u>	<u>13,090</u>
Total comprehensive income attributable to:						
Owners of the Company		44,889	24,704	67,765	35,171	13,090
Non-controlling interests		–	–	–	–	–
Earnings per share for profit attributable to owners of the Company						
Basic earnings per share (expressed in RMB)	13a	<u>0.170</u>	<u>0.128</u>	<u>0.240</u>	<u>0.133</u>	<u>0.047</u>
Diluted earnings per share (expressed in RMB)	13b	<u>0.170</u>	<u>0.128</u>	<u>0.240</u>	<u>0.133</u>	<u>0.047</u>

CONSOLIDATED BALANCE SHEETS

		As at 31 December			As at
	Notes	2016	2017	2018	30 June
		RMB'000	RMB'000	RMB'000	2019
					RMB'000
ASSETS					
Non-current assets					
Property and equipment	15	4,056	7,008	3,851	2,159
Intangible assets	16	6,333	5,535	4,733	4,333
Goodwill	17	5,058	4,727	4,955	4,975
Financial assets measured at fair value through profit or loss	18	25,134	41,485	66,518	187,868
Accounts receivable	19	–	–	9,015	–
Deferred tax assets	26	10,669	4,702	–	–
Total non-current assets		51,250	63,457	89,072	199,335
Current assets					
Other current assets	21	1,060	1,439	4,094	1,695
Accounts receivable	19	132,196	144,190	183,137	134,057
Other receivable	20	12,012	16,118	58,441	1,038
Financial assets measured at fair value through profit or loss	18	245,158	220,178	197,963	134,823
Cash and cash equivalents	23	79,139	71,987	80,628	105,780
Restricted bank deposits	22	392	849	894	898
Total current assets		469,957	454,761	525,157	378,291
Total assets		521,207	518,218	614,229	577,626
LIABILITIES					
Current liabilities					
Accounts payable	24	78,108	65,631	89,396	85,359
Other payable	25	4,680	5,491	9,086	79,164
Lease liabilities		2,934	3,124	2,999	1,370
Convertible redeemable preferred shares	26	–	–	–	18,210
Bank overdraft		255	249	88	44
Tax payable		533	143	143	4,479
Total current liabilities		86,510	74,638	101,712	188,626
Non-current liabilities					
Deferred tax liabilities	27	1,320	–	4,171	8,462
Lease liabilities		–	2,999	–	–
Total non-current liabilities		1,320	2,999	4,171	8,462
Total liabilities		87,830	77,637	105,883	197,088
EQUITY					
Equity attributable to the owners of the Company					
Share capital	28	–	–	–*	159
Combined capital	28	58,184	58,184	58,184	–
Other reserve	29	444,560	420,731	431,139	349,630
(Accumulated losses)/retained earnings		(69,367)	(38,334)	19,023	30,749
Non-controlling interests		433,377	440,581	508,346	380,538
Total equity		433,377	440,581	508,346	380,538
Total liabilities and equity		521,207	518,218	614,229	577,626

* The amount is less than RMB1,000.

COMPANY BALANCE SHEETS

		As at 31 December 2018	As at 30 June 2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Investment in subsidiaries		—	2,025,000
Total non-current assets		—	2,025,000
Current assets			
Other current assets		—	831
Cash and cash equivalents		—	1,377
Total current assets		—*	2,208
Total assets		—*	2,027,208
LIABILITIES			
Current liabilities			
Other payable	25	—	169,339
Convertible redeemable preferred shares	26	—	18,210
Total liabilities		—	187,549
EQUITY			
Share capital	28	—*	159
Other reserve	29	—*	1,883,542
Accumulated losses		—*	(44,042)
Total equity		—*	1,839,659
Total liabilities and equity		—*	2,027,208

* The amount is less than RMB1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Company (Accumulated loss)/				Total equity RMB'000
		Share capital RMB'000	Combined capital RMB'000	Other reserve RMB'000	Retained earnings RMB'000	
Balance at 1 January 2016		–	53,529	275,394	(110,435)	218,488
Profit for the year		–	–	–	41,215	41,215
Other comprehensive income	29	–	–	3,674	–	3,674
Total comprehensive income		–	–	3,674	41,215	44,889
Transaction with owners:						
Capital injection from shareholders of the companies now comprising the Group	28, 29	–	4,655	195,345	–	200,000
Deemed distribution for the Carve-out Business as described in Note 1.2	29	–	–	(30,000)	–	(30,000)
Appropriation to statutory reserves	29	–	–	147	(147)	–
Balance at 31 December 2016		–	58,184	444,560	(69,367)	433,377
Profit for the year		–	–	–	31,981	31,981
Other comprehensive loss	29	–	–	(7,277)	–	(7,277)
Total comprehensive income		–	–	(7,277)	31,981	24,704
Transaction with owners:						
Deemed distribution for the Carve-out Business as described in Note 1.2	29	–	–	(17,500)	–	(17,500)
Appropriation to statutory reserves	29	–	–	948	(948)	–
Balance at 31 December 2017		–	58,184	420,731	(38,334)	440,581
Balance at 1 January 2018		–	58,184	420,731	(38,334)	440,581
Profit for the year		–	–	–	59,737	59,737
Other comprehensive income	29	–	–	8,028	–	8,028
Total comprehensive income		–	–	8,028	59,737	67,765
Transaction with owners:						
Appropriation to statutory reserves	29	–	–	2,380	(2,380)	–
Balance at 31 December 2018		–	58,184	431,139	19,023	508,346

		Attributable to owners of the Company (Accumulated loss)/				
		Share capital	Combined capital	Other reserve	Retained earnings	Total equity
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)						
Balance at 1 January 2018		–	58,184	420,731	(38,334)	440,581
Profit for the period		–	–	–	33,210	33,210
Other comprehensive income		–	–	1,961	–	1,961
		–	–	1,961	33,210	35,171
Balance at 30 June 2018		–	58,184	422,692	(5,124)	475,752
Balance at 1 January 2019						
Profit for the period		–	–	–	11,726	11,726
Other comprehensive income		–	–	1,364	–	1,364
		–	–	1,364	11,726	13,090
Transaction with owners:						
Reorganisation of the Group as described in Note 1.2		–	(58,184)	58,184	–	–
Conversion of ordinary shares to preferred shares		–	–	(18,059)	–	(18,059)
Issuance of ordinary shares		171	–	385	–	556
Repurchase of shares		(12)	–	(123,383)	–	(123,395)
Balance at 30 June 2019		159	–	349,630	30,749	380,538

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December			Six months ended	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Cash flows from operating activities						
Cash (used in)/generated from operations	30a	(57,172)	(15,621)	1,678	(12,523)	125,947
Payment of income tax		–	(533)	–	–	(143)
Net cash (outflow)/inflow from operating activities		(57,172)	(16,154)	1,678	(12,523)	125,804
Cash flows from investing activities						
Purchase of Wealth Management Products measured at fair value through profit or loss		(1,025,348)	(269,403)	(393,035)	(182,213)	(290,181)
Maturity of Wealth Management Products measured at fair value through profit or loss		1,001,719	305,674	421,922	200,875	355,272
Additional investment in equity interests of private company measured at fair value through profit or loss		(17,900)	–	–	–	(100,000)
Disposal of investment in equity interests of private company measured at fair value through profit or loss		–	200	–	–	–
Purchase of property and equipment		(867)	(428)	(576)	(92)	(156)
Loans granted to third parties		(10,000)	(37,500)	(27,150)	(18,502)	–
Proceeds of loans repayments from third parties		–	35,000	3,410	–	36,240
Interest income		–	1,042	–	–	–
Net cash (outflow)/inflow from investing activities		(52,396)	34,585	4,571	68	1,175
Cash flows from financing activities						
Capital injections from shareholders of the companies now comprising the Group		200,000	–	–	–	560
Deemed distribution for the Carve-out Business		(30,000)	(17,500)	–	–	–
Repayment of lease liabilities (including interest paid)		(3,290)	(3,287)	(3,343)	(1,655)	(1,683)
Repurchase of shares		–	–	–	–	(100,000)
Payment of listing expenses		–	–	–	–	(1,154)
Repayment of loans granted by third parties		(20,000)	–	–	–	–
Net cash inflow/(outflow) from financing activities		146,710	(20,787)	(3,343)	(1,655)	(102,277)

	<i>Notes</i>	Year ended 31 December			Six months ended	
		2016	2017	2018	30 June	2019
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net increase/(decrease) in cash and cash equivalents		37,142	(2,356)	2,906	(14,110)	24,702
Cash and cash equivalents at the beginning of the year/period		37,838	78,884	71,738	71,738	80,540
Effects of exchange rate changes on cash and cash equivalents		3,904	(4,790)	5,896	411	494
Cash and cash equivalents at end of year/period		<u>78,884</u>	<u>71,738</u>	<u>80,540</u>	<u>58,039</u>	<u>105,736</u>
Including:						
Cash and cash equivalents in consolidated balance sheets	23	79,139	71,987	80,628	58,046	105,780
Bank overdraft in consolidated balance sheets		(255)	(249)	(88)	(7)	(44)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PREPARATION

1.1 General information

Newborn Town Inc. (the “Company”) was incorporated in the Cayman Islands on 12 September 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Maples Corporate Services Limited, PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together referred as the “Group”) are principally engaged in providing mobile development and mobile advertising platform services (the “Listing Business”) worldwide.

Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian are the founders of the Group.

1.2 History and reorganisation of the Group

Prior to the incorporation of the Company and the completion of the reorganisation as described below, the Listing Business was carried out by NewBornTown Mobile Technology (Beijing) Holdings Co., Ltd. (赤子城移動科技(北京)股份有限公司, “NewBornTown Mobile Technology”) and its subsidiaries, mainly including NewBornTown Network Technology (Beijing) Co., Ltd. (“NewBornTown Network Technology”) and Newborn Town International Enterprise Limited (“Newborn Town International”). NewBornTown Mobile Technology was incorporated in Beijing, People’s Republic of China (the “PRC”) on 15 August 2007.

For the preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a reorganisation (the “Reorganisation”) pursuant to which the Listing Business was transferred to the Company. The Reorganisation mainly involved the following:

- On 12 September 2018, the Company was incorporated in the Cayman Islands with an authorised share capital of 500,000,000 ordinary shares of par value of US\$0.0001 each. 63,167,000 ordinary shares were issued to Spriver Tech Limited, a special purpose vehicle wholly owned by Mr. Liu Chunhe; 21,047,000 ordinary shares were issued to Parallel World Limited, a special purpose vehicle wholly owned by Mr. Li Ping; and 15,786,000 ordinary shares were issued to Pixel Perfect Tech Limited, a special purpose vehicle wholly owned by Mr. Ye Chunjian.
- On 30 August 2018, Shandong NewBornTown Network Technology Co., Ltd. (“Shandong NewBornTown”) was incorporated in Shandong Province, the PRC, as a direct wholly-owned subsidiary of NewBornTown Network Technology, with registered capital of RMB10,000,000.
- On 30 October 2018, Solo X Technology Limited (“Solo X Technology”) was incorporated in Hong Kong (“HK”) as a direct wholly-owned subsidiary of the Company.
- On 2 April 2019, Universe Intelligence Technology Limited (“Universe”), subscribed for increased registered capital of Shandong NewBornTown at a consideration of RMB500,000. After the completion of the subscription, Universe held approximately 4.76% equity interest of Shandong NewBornTown. On 9 April 2019, Solo X Technology entered into a series of sale and purchase agreements with NewBornTown Network Technology and Universe, pursuant to which, Solo X Technology acquired 95.24% equity interest in Shandong NewBornTown, held by NewBornTown Network Technology, and 4.76% equity interest in Shandong NewBornTown held by Universe, at a total consideration of RMB10,500,000. Immediately upon the completion of the acquisition, Shandong NewBornTown became a wholly owned subsidiary of Solo X Technology.
- On 20 June 2019, the Company completed the acquisition of 100% equity interest of Newborn Town International from NewBornTown Network Technology.

- In June 2019, NewBornTown Mobile Technology transferred its investment business, including 51% equity interest in Fujian Youdian Neirong Culture Media Co., Ltd. and 9.67% interest in Tibet Zhirui Venture Capital Enterprise (Limited Partnership) (“Carve-out Business”) to an entity with the same shareholding structure as NewBornTown Mobile Technology.
- On 1 June 2019, NewBornTown Network Technology transferred business operations in connection with mobile advertising and related technical services, including but not limited to business-related contracts, employment relationships and intellectual property rights, to Shandong NewBornTown.
- Pursuant to a series of contractual agreements dated on 26 June 2019 (collectively referred to as the “Contractual Agreements”) between Shandong NewBornTown, NewBornTown Mobile Technology and its respective equity holders, Shandong NewBornTown is able to effectively control, and receive substantially all the economic benefits of the business and operations of NewBornTown Mobile Technology and its subsidiaries. Accordingly, NewBornTown Mobile Technology and its subsidiaries are regarded as indirect subsidiaries of the Company under IFRS 10 and consolidated by the Company.

The Reorganisation was completed on 26 June 2019. Upon completion of Reorganisation, each of the equity holders of NewBornTown Mobile Technology became the shareholders of the Company with substantially the same shareholding percentages in NewBornTown Mobile Technology before and after the Reorganisation, and the Company became the holding company of the companies now comprising the Group.

As at the date of this report and during Track Record Period, the Company has direct or indirect interests in the following subsidiaries:

Company Name	Place and date of Incorporation/ establishment	Principal activities	Issued and paid-in capital/ Registered capital	Percentage of attributable equity interest				Notes
				As at 31 December			As at	
				2016	2017	2018	30 June 2019	
Solo X Technology	Hong Kong/ 30 October 2018	Investment holding	HKD10,000	-	-	100%	100%	(1)
Newborn Town International (“赤子城國際企業有限公司”)	Hong Kong/ 20 December 2013	Mobile advertising platform service and proprietary app traffic monetisation	HKD10,000	100%	100%	100%	100%	(2)
Shandong NewBornTown (“山東赤子城網絡技術有限公司”)	The PRC/ 30 August 2018	Mobile advertising platform service business	RMB10,500,000	-	-	100%	100%	(3)
Great Sailing Media Limited (“航海時代傳媒有限公司”)	Hong Kong/ 16 April 2013	Mobile advertising platform service business	HKD500,000	100%	100%	100%	100%	(4)
NewBornTown Mobile Technology (“赤子城移動科技(北京)股份有限公司”)	The PRC/ 15 August 2007	Investment holding	RMB58,183,695	100%	100%	100%	100%	(5)
NewBornTown Network Technology (“赤子城網絡技術(北京)有限公司”)	The PRC/ 28 February 2014	Proprietary app traffic monetisation	RMB300,000,000	100%	100%	100%	100%	(6)

- (1) No statutory audited financial statements were issued for this company as they are newly incorporated or not required to issue audited financial statements under the statutory requirements of their places of incorporation.
- (2) The statutory financial statements of Newborn Town International for the years ended 31 December 2016 and 2017 were audited by Smart Team CPA Limited. As of the date of this report, the audited statutory financial statements of this company for the year ended 31 December 2018 has not been issued yet.

- (3) The non-statutory financial statements of Shandong NewBornTown from incorporation date to the year ended 31 December 2018 were audited by Shandong Qilu Certified Public Accountants.
- (4) The statutory financial statements of Great Sailing Media Limited for the year ended 31 March 2016, 2017 and 2018 were audited by Smart Team CPA Limited. As of the date of this report, the audited statutory financial statements of this company for the year ended 31 March 2019 has not been issued yet.
- (5) The non-statutory financial statements of NewBornTown Mobile Technology for the year ended 31 December 2016 were audited by Beijing Yongen Lihe CPA Limited. No statutory audited financial statements for the years ended 31 December 2017 and 2018 of this company were issued as there is no statutory requirement to issue audited financial statements.
- (6) The non-statutory financial statements of NewBornTown Network Technology for the year ended 31 December 2016 and 2017 were audited by Beijing Yongen Lihe CPA Limited. No statutory audited financial statements for the year ended 31 December 2018 of this company were issued as there is no statutory requirement to issue audited financial statements.

All English names represent the best effort of the directors of the Company in translating the Chinese names, as they do not have official English names, and are for reference only.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business are transferred to and held by the Company. The Company has not involved in any other business other than the Reorganisation. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and majority of shareholders of the Listing Business remain the same. Accordingly, the Group excluding the Carve-out Business resulting from the Reorganisation is regarded as a continuation of the Listing Business for the purpose of this report, with the assets, liabilities and operating results of the Group recognised and measured at the carrying values of the Listing Business for all periods presented from the Listing Business perspective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (“IASB”).

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Historical Financial Information have been prepared under the historical cost convention, as modified by the revaluation of financial instruments measured at fair value through profit and loss (“FVPL”).

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on 1 January 2019, are consistently applied by the Group throughout the Track Record Period.

2.2 Changes in accounting policies

(i) *New standards and amendment not yet adopted*

Standards and amendments that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

	Effective for accounting periods beginning on or after
Amendments to IAS 1 and IAS 8 – Definition of material	1 January 2020
Conceptual Framework for financial reporting 2018	1 January 2020
Amendment to IFRS 3 – Definition of a business	1 January 2020
Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IFRS 17 Insurance contracts	1 January 2021

None of them is expected to have a significant effect on the Historical Financial Information of the Group.

2.3 Principles of consolidation and equity accounting

2.3a *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group other than the business combination under common control (refer to Note 2.4).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, statements of changes in equity and balance sheets, respectively.

As described in Note 1.2, a wholly owned subsidiary of the Company, Shandong NewBornTown, has entered into the Contractual Agreements, including the Exclusive Equity Call Option Agreement, Exclusive Business Cooperation Agreement, Equity Pledge Agreement, Exclusive Asset Call Option Agreement, and Powers of Attorney, with NewBornTown Mobile Technology and its respective equity holders, which enable the Group to:

- irrevocably exercise equity holders' voting rights of NewBornTown Mobile Technology;
- exercise effective financial and operational control over of NewBornTown Mobile Technology;
- receive substantially all of the economic interest returns generated by NewBornTown Mobile Technology by way of technical and consulting services provided by Shandong NewBornTown;

- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in NewBornTown Mobile Technology from the respective equity holders at a minimum purchase price permitted under the PRC laws and regulations; and
- obtain a pledge over the entire equity interests of NewBornTown Mobile Technology from its respective equity holders to secure performance of NewBornTown Mobile Technology's obligation under the Contractual Agreements.

2.3b Associate

An associate is an entity in which the Group has significant influence but not control or joint control, over its management, including participation in the financial and operating policy decisions. Investments in associates are accounted for using the equity method of accounting (see Note 2.3c below), after initially being recognised at cost.

2.3c Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income ("OCI") of the investee in OCI. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

2.3d Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in OCI are reclassified to profit or loss where appropriate.

2.4 Business combinations

The acquisition method of accounting is used to account for the business combinations except for business combination under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.7 Foreign currency translation

2.7a *Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional currency of the Company is United States dollar (“USD”). The presentation currency of the Group is RMB.

2.7b *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gain – net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income (“FVOCI”) are recognised in OCI.

2.7c *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in OCI.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in OCI. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.8 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and right-of-use assets, the lease term, if shorter, as follows:

	Estimated useful lives
Electronic equipment	3 years
Furniture and fixtures	3 years
Leasehold improvements	Shorter of estimated useful life and the lease term
Right-of-use assets	Shorter of estimated useful life and the lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.9 Intangible assets

2.9a Initial recognition

(i) Goodwill

Goodwill is measured as described in Note 2.4. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(ii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use,
- management intends to complete the software and use or sell it,
- there is an ability to use or sell the software,

- it can be demonstrated how the software will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(iii) Research and development

Research expenditure and development expenditure that do not meet the criteria in (ii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.9b Amortisation methods and periods

The management estimates the useful lives to reflect the Group's intention to derive future economic benefits from the use of these assets. The Group amortises intangible assets with an estimated useful life using the straight-line method over the following periods:

	Estimated useful lives
Software	3 – 10 years

2.10 Impairment of non-financial assets

Goodwill are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Investments and other financial assets

2.11a Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11b Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.11c Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gain – net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gain – net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gain – net and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gain – net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gain – net in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11d Impairment

The Group has types of financial assets subject to new expected credit loss model of IFRS 9:

- accounts receivable and
- other financial assets at amortised cost.

Measurement of expected credit losses

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivable, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1b for further details.

Impairment on other financial assets at amortised cost is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating, if available;
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

Write-off policy

Financial assets are written off when the Group is satisfied that recovery is remote. Where loans or receivables have been written off, the Group continues to attempt to recover the receivable due. Where recoveries are made, the recovered amount is recognised in profit or loss.

2.12 Accounts receivable

Accounts receivable are amounts due from customers for services performed or goods sold in the ordinary course of business.

Accounts receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the accounts receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.11d for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are presented in current liabilities in the consolidated balance sheets.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Accounts and other payables

These amounts primarily represent liabilities for services provided to the Group prior to the end of financial year which are unpaid. Accounts and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Convertible redeemable preferred shares

Convertible redeemable preferred shares issued by the Company are redeemable upon occurrence of certain future events and at the option of the holders. This instrument can be automatically converted into ordinary shares upon occurrence of a qualified initial public offering of the Company as detailed in Note 26.

The Group designated the convertible redeemable 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 finance costs in the consolidated statements of comprehensive income.

Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognised in the consolidated statements of comprehensive income, except for fair value changes related to the changes in the Company's own credit risk, which are presented separately in OCI.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

2.18 Employee benefits

(i) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) *Bonus plans*

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(iii) *Pension obligations*

The Group has to make contribution to staff retirement scheme managed by China local government authorities in accordance with the relevant rules and regulations. Contributions to these schemes are charged to the consolidated statements of comprehensive income as and when incurred. The Group has no legal or constructive obligations to pay further contributions.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

The Group provides mobile marketing services through self-developed technique to improve advertising effectiveness and related system technology development services (“Mobile advertising platform and related business”) and provides advertising services through wide-ranging and diversified self-developed mobile applications to users (“Proprietary applications traffic monetisation business”).

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue from providing services is recognised in the accounting period in which the services are rendered. Amounts collected in excess of revenue recognised are included as contract liabilities.

(i) *Mobile advertising platform and related business*

The Group generates revenue from the provision of comprehensive advertisement placement services to the advertisers. By agreeing specified actions, revenue is recognised once agreed actions are performed.

Before determining whether the revenue should be recognised on gross or net basis, the Group assesses if the Group controls the specified service before it is transferred to the customer. The indicators include but not limit to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer or after transfer of control to the customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service.

In most transactions, the Group acts as the principal of these transactions and therefore reports revenue earned and costs incurred related to these transactions on a gross basis, when:

- (a) the Group is the primary obligor for providing comprehensive advertisement placement services by contracting directly with the advertisers, creating the advertisements, and determining which media publishers or network marketing alliance to use and what types of the advertisements to be placed. The Group takes the responsibility for fulfilment its obligation through delivering the specified services to the advertisers.
- (b) the Group takes certain inventory risk by purchasing the advertising spaces in advance or committing the minimum purchase from the publishers. In some instances, the Group takes the risk of loss that the cost paid to the publishers cannot be compensated by the consideration obtained from the advertisers.
- (c) the Group has the discretion on the pricing through negotiation and transaction separately with its customers and suppliers also retains credit risk.

In certain circumstances, the advertisers would designate the targeted publishers in the contract. The Group takes no responsibility on the marketing targets, but retains credit risk. The Group acts as an agent in these transactions, therefore, the revenue is recognised on a net basis by deducting the payment made to the media publishers from the consideration received from the advertisers.

The revenue is normally billed on monthly basis and a receivable is expected to be collected within the contracted credit term. For transactions which the Group acts as an agent, the Group bills the customers in gross amounts with credit terms, which are different from the bills from suppliers. As the Group has no legally enforceable right to set off the bill from the supplier against the bill to the customer, the Group records the payable and the receivable on gross basis.

The Group also recognises and bills the revenue from mobile advertising platform related system technology development services at a point in time or over time depending on the different rights to payments agreed in the contract.

(ii) Proprietary applications traffic monetisation business

The Group generated revenue from the self-developed mobile applications mainly through providing advertising spaces to advertisers or their agencies for traffic monetisation. The revenue for providing advertising spaces is recognised once the control of the spaces is transferred to the advertisers.

The revenue is normally billed on monthly basis and a receivable is expected to be collected within the contracted credit term.

2.21 Leases

The Group leases properties for operation. Rental contracts are typically made for fixed periods with fixed lease payments. Lease terms are negotiated on an individual basis and do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recorded in property and equipment, and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. When determining the incremental borrowing rate, specific condition, term and currency to the contract, as well as the recent debt issuances and public available data for instrument with similar characteristics are considered.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and the lease payment made before the lease commencement.

2.22 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to cost are deferred and recognised as income in the profit or loss over the period necessary to match them with the expense that they are intended to compensate.

Government grants relating to the purchase of property and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.24 Related parties

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

- has control or joint control of the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group's parent.

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

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- Both entities are joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- The entity is controlled or jointly controlled by a person identified in Note 2.24(i); or
- A person identified in Note 2.24(i)(a) 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).

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

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management of the Group.

3.1 Financial risk factors

3.1a Market risk

(i) *Foreign exchange risk*

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency other than the functional currency of the each of the group companies. The Group's exposure to foreign currency risk at each year end of the Track Record Period was insignificant as each of the group entities did not held significant assets and liabilities denominated in a currency other than its functional currency.

(ii) *Interest rate risk*

Financial assets/liabilities with variable interest rate expose the Group to cash flow interest-rate risk. And financial assets/liabilities with fixed interest rate expose the Group to fair value interest-rate risk. Other than interest-bearing cash and cash equivalents, restricted cash and lease liabilities, the Group has no other significant interest-bearing assets or liabilities. The directors of the Company do not anticipate there is any significant impact resulted from the changes in interest rate.

3.1b Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, accounts receivable, wealth management products ("WMP") carried at FVPL and other financial assets at amortised cost, including loans to third parties and restricted bank deposits.

(i) *Risk management*

Credit risk is managed on a group basis.

The Group is exposed to credit risk primarily in relation to its cash and cash equivalent and restricted bank deposits placed with banks, WMPs issued by banks, as well as accounts and other receivable. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, deposits are mainly placed with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions. Majority of the WMPs are issued by financial institutions investing in low risk underlying assets, which mainly consist of bank deposits, treasury bond, central bank bill, local government debt, corporate bond or debt with high credit ratings. Thus, the directors of the Company were of the view the expected credit loss related to cash and cash equivalent, restricted cash, bank deposits and WMP was immaterial.

The Group, generated revenue from advertisers or its agencies. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group performed credit evaluation which focus on the customer's past history of making payments and current ability to pay. The Group does not obtain collateral from customers. As at 31 December 2016, 2017 and 2018 and 30 June 2019, approximately 70%, 64%, 52% and 57% of the Group's accounts receivable were due from the largest five customers. Given the strong business relationship established, the regular payment made according to contract and the financial capability of these customers, the management does not expect that there will be any significant credit risk from non-performance of these customers.

(ii) *Impairment of financial assets*

Accounts receivable

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all accounts receivable. Accounts receivable included amounts due from third parties with regular payment schedule and accounts due from third parties with increased credit risk.

And the recognition and measurement method of loss allowance for each category is measured separately:

- For accounts receivable due from customers with regular payment schedule, the Group calculates the expected credit loss by referring to the historical credit loss experience, combining with the current situation and the forecast of future economic conditions and measuring the accounts receivable aging and expected credit loss rate during the lifetime.
- For accounts receivable due from customers with different credit risks, such as the customers that the Group has renegotiated with specific payment schedule, the Group applies the individual identification method based on the characteristics of credit risk of each individual balance.

The balance of each category of accounts receivable as at 31 December 2016, 2017 and 2018 and 30 June 2019 was as follows:

	Accounts receivable <i>RMB'000</i>	Allowance <i>RMB'000</i>	Net value <i>RMB'000</i>
31 December 2016			
Accounts receivable			
From customers with regular payment schedule	95,733	(1,170)	94,563
From customers with different credit risks	48,420	(10,787)	37,633
	<u>144,153</u>	<u>(11,957)</u>	<u>132,196</u>
	Accounts receivable <i>RMB'000</i>	Allowance <i>RMB'000</i>	Net value <i>RMB'000</i>
31 December 2017			
Accounts receivable			
From customers with regular payment schedule	104,417	(2,171)	102,246
From customers with different credit risks	52,324	(10,380)	41,944
	<u>156,741</u>	<u>(12,551)</u>	<u>144,190</u>
	Accounts receivable <i>RMB'000</i>	Allowance <i>RMB'000</i>	Net value <i>RMB'000</i>
31 December 2018			
Long-term accounts receivable			
From customers with different credit risks	9,489	(474)	9,015
Accounts receivable			
From customers with regular payment schedule	113,591	(2,046)	111,545
From customers with different credit risks	89,261	(17,669)	71,592
	<u>212,341</u>	<u>(20,189)</u>	<u>192,152</u>
	Accounts receivable <i>RMB'000</i>	Allowance <i>RMB'000</i>	Net value <i>RMB'000</i>
30 June 2019			
Accounts receivable			
From customers with regular payment schedule	109,044	(3,147)	105,897
From customers with different credit risks	45,673	(17,513)	28,160
	<u>154,717</u>	<u>(20,660)</u>	<u>134,057</u>

The loss allowance as at 31 December 2016, 2017 and 2018 and 30 June 2019 was determined as follows for accounts receivable from customers with regular payment schedule:

	Less than 180 days RMB'000	181 days to 1 year RMB'000	1 year to 2 years RMB'000	2 years to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
31 December 2016						
Expected loss rate	0.50%	2.00%	5.00%	75.00%	100.00%	
Accounts receivable	64,207	24,220	7,306	-	-	95,733
Less: allowance	(321)	(484)	(365)	-	-	(1,170)
	<u>63,886</u>	<u>23,736</u>	<u>6,941</u>	<u>-</u>	<u>-</u>	<u>94,563</u>
31 December 2017						
Expected loss rate	0.50%	2.00%	5.00%	75.00%	100.00%	
Accounts receivable	45,738	34,726	23,881	72	-	104,417
Less: allowance	(229)	(694)	(1,194)	(54)	-	(2,171)
	<u>45,509</u>	<u>34,032</u>	<u>22,687</u>	<u>18</u>	<u>-</u>	<u>102,246</u>
31 December 2018						
Expected loss rate	0.50%	2.00%	5.00%	75.00%	100.00%	
Accounts receivable	102,001	4,027	6,028	1,524	11	113,591
Less: allowance	(510)	(81)	(301)	(1,143)	(11)	(2,046)
	<u>101,491</u>	<u>3,946</u>	<u>5,727</u>	<u>381</u>	<u>-</u>	<u>111,545</u>
30 June 2019						
Expected loss rate	0.50%	2.00%	5.00%	75.00%	100.00%	
Accounts receivable	97,812	6,574	1,493	2,852	313	109,044
Less: allowance	(489)	(131)	(75)	(2,139)	(313)	(3,147)
	<u>97,323</u>	<u>6,443</u>	<u>1,418</u>	<u>713</u>	<u>-</u>	<u>105,897</u>

Throughout the Track Record Period, the management kept monitoring the recoverability of accounts receivable. As there was no significant negative information to indicate an increasing credit risk, the management kept the same credit loss rate during the Track Record Period. If there is an indicator for a significant increase in credit risk, the management would reassess and revise the expected loss rates where appropriate during such period ended.

Accounts receivable is written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a bankrupt of a debtor.

Impairment losses on accounts receivable are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

Other financial assets at amortised cost mainly include loans to third parties. As no significant increase of credit risk since initial recognition, management considers that the expected credit loss is insignificant.

3.1c Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2016

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
Accounts and other payable (excluding non-financial liabilities)	78,558	–	78,558
Lease liabilities	3,003	–	3,003
Bank overdraft	255	–	255
	<u>81,816</u>	<u>–</u>	<u>81,816</u>

As at 31 December 2017

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
Accounts and other payable (excluding non-financial liabilities)	66,514	–	66,514
Lease liabilities	3,343	3,069	6,412
Bank overdraft	249	–	249
	<u>70,106</u>	<u>3,069</u>	<u>73,175</u>

As at 31 December 2018

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
Accounts and other payable (excluding non-financial liabilities)	93,478	–	93,478
Lease liabilities	3,069	–	3,069
Bank overdraft	88	–	88
	<u>96,635</u>	<u>–</u>	<u>96,635</u>

As at 30 June 2019

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Total <i>RMB'000</i>
Accounts and other payable (excluding non-financial liabilities)	156,548	–	156,548
Convertible redeemable preferred shares	18,210	–	18,210
Lease liabilities	1,386	–	1,386
Bank overdraft	44	–	44
	<u>176,188</u>	<u>–</u>	<u>176,188</u>

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets. The Group aims to maintain its gearing ratio below 50%. The gearing ratios at 31 December 2016, 2017 and 2018 and 30 June 2019 were as follows:

	As at 31 December			As at 30 June 2019
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	<i>RMB'000</i>
Total liabilities	87,830	77,637	105,883	197,088
Total assets	<u>521,207</u>	<u>518,218</u>	<u>614,229</u>	<u>577,626</u>
Gearing ratio	<u>16.85%</u>	<u>14.98%</u>	<u>17.24%</u>	<u>34.12%</u>

3.3 Fair values

(i) Fair value hierarchy

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's asset that are measured at fair value.

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2016				
Assets				
Financial assets measured at FVPL				
– WMPs	–	–	245,158	245,158
– Equity interests of certain private companies	–	–	25,134	25,134
	–	–	270,292	270,292
As at 31 December 2017				
Assets				
Financial assets measured at FVPL				
– WMPs	–	–	220,178	220,178
– Equity interests of certain private companies	–	–	41,485	41,485
	–	–	261,663	261,663
As at 31 December 2018				
Assets				
Financial assets measured at FVPL				
– WMPs	–	–	197,963	197,963
– Equity interests of certain private companies	–	–	66,518	66,518
	–	–	264,481	264,481
As at 30 June 2019				
Assets				
Financial assets measured at FVPL				
– WMPs	–	–	134,823	134,823
– Equity interests of certain private companies	–	–	187,868	187,868
	–	–	322,691	322,691
Liabilities				
Financial instruments with preferred rights				
– Convertible redeemable preferred shares	–	–	18,210	18,210

The changes in level 3 instruments for the years ended 31 December 2016, 2017 and 2018 and 30 June 2019 are presented in Note 18.

The Group did not have any financial liabilities that were measured at fair value as of 31 December 2016, 2017 and 2018.

There were no transfers between levels for recurring fair value measurements during the Track Record Period.

(ii) Valuation process and valuation techniques used to determine level 3 fair value

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purpose. The team manages the valuation exercise of level 3 instrument on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc..

(iii) Fair value measurements using significant unobservable inputs

The valuation of level 3 instruments mainly included investment in WMPs issued by banks and financial institutions, equity investments in private companies and preferred shares. As these instruments are not traded in an active market, their fair value have been determined using various applicable valuation techniques, including discounted cash flows, comparable companies etc..

All the WMPs will mature within one year with variable return rates indexed to the performance of underlying assets. The fair values were determined based on cash flow discounted assuming the expected return will be obtained upon maturity.

Market approach or income approach were adopted to determine the equity value of two private companies.

Major assumptions used in the valuation for preferred shares are presented in Note 26.

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

	Significant unobservable inputs	Range of inputs			As at 30 June 2019	Relationship of unobservable inputs to fair values
		As at 31 December 2016	2017	2018		
Investment in WMP	Expected return rate	2.4% – 4.2%	2.4% – 4.8%	2.69% – 7.5%	2.69% – 4.8%	The higher the expected return rate, the higher the fair value

	Significant unobservable inputs	Range of inputs			As at 30 June 2019	Relationship of unobservable inputs to fair values
		As at 2016	31 December 2017	December 2018		
Investment in equity interests of certain private companies	Expected volatility	61% – 63%	58% – 60%	46% – 58%	43% – 59%	The higher the expected volatility, the lower the fair value
	Discount for lack of marketability (“DLOM”)	25%	25%	20%	20%	The higher the DOLM, the lower the fair value
	Risk-free rate	3%	4%	3%	3%	The higher the risk-free rate, the higher the fair value
	Discount rate	24%	24%	22%	22%	The higher the discount rate, the lower the fair value
	Revenue growth rate	5% – 40%	3% – 25%	3% – 35%	3% – 25%	The higher the revenue growth rate, the higher the fair value
	Perpetual growth rate	3%	3%	3%	3%	The higher the perpetual growth rate, the higher the fair value

For investment in WMP, the estimated carrying amount as of 31 December 2016, 2017, 2018 and 30 June 2019 would have been RMB2,452,000 higher/lower, RMB2,202,000 higher/lower, RMB1,980,000 higher/lower and RMB1,348,000 higher/lower should the expected return rate used in discounted cash flow analysis be higher/lower by 1% from management's estimates.

For investment in equity interests of certain private companies valued using market approach, the estimated carrying amount as of 31 December 2016, 2017, 2018 and 30 June 2019 would have been RMB950,000 higher/lower, RMB1,950,000 higher/lower, RMB3,150,000 higher/lower and RMB9,300,000 higher/lower should the revenue growth rate analysis be higher/lower by 5% from management's estimates.

For investment in equity interests of certain private companies valued using income approach, the estimated carrying amount as of 31 December 2016, 2017, 2018 and 30 June 2019 would have been RMB66,000 lower/higher, RMB77,000 lower/higher, RMB119,000 lower/higher and RMB140,000 lower/higher should the discount rate used in discounted cash flow analysis be higher/lower by 1% from management's estimates. The estimated carrying amount as of 31 December 2016, 2017, 2018 and 30 June 2019 would have been RMB165,000 higher/lower, RMB220,000 higher/lower, RMB285,000 higher/lower and RMB305,000 higher/lower should the revenue growth rate used in discounted cash flow analysis be higher/lower by 5% from management's estimates.

4 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Gross vs. net assessment in revenue recognition

As disclosed in Note 2.20, the Group provides advertising services to its customers, which involve the assessment of revenue recognition on a gross or net basis, i.e. principal vs. agent assessment in different business models. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstances.

4.2 Impairment of accounts receivable and other financial assets

The Group follows the guidance of IFRS 9 when assessing the expected credit losses of accounts receivable and other financial assets. This determination requires significant judgment and estimation. In making this judgment and estimation, the Group evaluates, among other factors, the duration of accounts receivable and the financial health collection history of debtors and expected future change of credit risks, including the consideration of factors such as general economy measure, changes in macroeconomic indicators etc. Further details are included in Note 3.1b to the Historical Financial Information.

4.3 Current and deferred income tax

The Group is subject to income taxes in different areas. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

4.4 Fair value of financial instruments

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 3.3.

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 Group used the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the preferred shares.

Key assumptions such as discount rate, risk free rate, lack of marketability discount and volatility are disclosed in Note 26.

5 SEGMENT INFORMATION

The Group's business activities are mainly in mobile marketing services and related service and are regularly reviewed and evaluated by the CODM. As a result of this evaluation, the Group is organised into two reporting segments according to the revenue streams of the Group. The revenue streams of the Group are mobile advertising platform and related business, and proprietary applications traffic monetisation business.

The CODM assesses the performance of the operating segments based on the gross profit/loss. The reconciliation of gross profit to profit before income tax is shown in the consolidated statements of comprehensive income. There were no separate segment assets and segment liabilities information provide to the CODM, as the CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

The segment results for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2018 and 2019 are as follows:

	Mobile advertising platform and related business RMB'000	Proprietary applications traffic monetisation business RMB'000	Total RMB'000
2016			
Revenue	112,953	23,899	136,852
Cost of revenue	(56,269)	(9,680)	(65,949)
Gross profit	56,684	14,219	70,903
2017			
Revenue	154,162	27,680	181,842
Cost of revenue	(103,576)	(7,892)	(111,468)
Gross profit	50,586	19,788	70,374
2018			
Revenue	183,762	92,924	276,686
Cost of revenue	(128,007)	(7,259)	(135,266)
Gross profit	55,755	85,665	141,420
Six months ended 30 June 2018 (Unaudited)			
Revenue	79,878	36,824	116,702
Cost of revenue	(57,711)	(2,632)	(60,343)
Gross profit	22,167	34,192	56,359
Six months ended 30 June 2019			
Revenue	69,907	114,460	184,367
Cost of revenue	(55,107)	(6,386)	(61,493)
Gross profit	14,800	108,074	122,874

As at 31 December 2016, 2017 and 2018 and 30 June 2019, substantially all of the non-current assets of the Group were located in the PRC.

The major customers which individually contributed more than 10% of the total revenue of the Group for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2018 and 2019 are listed as below:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	%	%	%	%	%
				(Unaudited)	
Customer A	N/A	11.6	N/A	10.4	N/A
Customer B	N/A	N/A	24.1	25.9	10.2
Customer C	N/A	N/A	N/A	N/A	23.3
Customer D	N/A	N/A	N/A	N/A	17.6

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of the Group's revenue by category for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2018 and 2019 was as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<i>Recognised at a point in time</i>					
Mobile advertising platform and related business	112,953	154,162	183,762	79,878	69,907
Proprietary applications traffic monetisation business	23,899	27,680	92,924	36,824	114,460
Total	136,852	181,842	276,686	116,702	184,367

The Group generally enters into service contracts with customers for a contract term less than one year. Therefore the Group has applied the practical expedient permitted under IFRS 15 not to disclose the transaction price allocated to the unsatisfied performance obligations.

7 EXPENSES BY NATURE

The details of cost of revenue, selling and marketing expenses, general and administrative expenses and research and development expenses are as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost for advertising placement:					
– Recognised in cost of revenue	40,664	81,963	89,868	44,527	39,020
– Recognised in selling and marketing expenses	9,350	31,924	65,856	22,268	51,164
Employee benefit expense (Note 8)	24,733	38,209	47,943	22,022	27,087
Share-based compensation expenses (Note 29)	–	–	–	–	36,847
Server capacity expense	2,113	5,585	11,765	4,456	9,099
Consultant and professional service fee	1,959	568	543	221	806
Technical service fee	309	941	9,992	800	1,127
Depreciation and amortisation	4,517	4,657	4,537	2,258	2,248
Travel expense	2,118	1,739	2,596	1,169	1,776
Office supplies expense	1,636	1,347	666	160	265
Meeting expense	842	108	14	4	29
Short-term lease expense	446	190	205	99	38
Listing expense	–	–	338	–	15,230
Auditor's remuneration	–	–	400	–	–
Utilities	75	126	143	68	83
Others	1,841	2,801	1,848	939	2,729
Total	90,603	170,158	236,714	98,991	187,548

8 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries, wages and other benefits	22,622	34,270	42,844	19,675	24,405
Retirement costs:					
– contributions to defined contribution plans	2,008	3,846	4,925	2,314	2,588
Dismissal compensation	103	93	174	33	94
Total employee benefit expense	24,733	38,209	47,943	22,022	27,087

As at 31 December 2016, 2017 and 2018, and 30 June 2019, defined contribution plans payables were RMB200,000, RMB400,000, RMB436,000 and RMB353,000 respectively.

8a Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include nil, 2, 1, 1 and nil directors for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 respectively, whose emoluments are reflected in the analysis shown in Note 11 for each of the Track Record Period. The emoluments payable to the remaining 5, 3, 4, 4 and 5 individuals during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonus	1,487	1,425	3,306	1,450	2,026
Contributions to pension plans	168	118	200	91	131
Other social security costs, housing allowance and other allowance	216	149	260	118	178
	<u>1,871</u>	<u>1,692</u>	<u>3,766</u>	<u>1,659</u>	<u>2,335</u>

The emoluments fell within the following bands:

Emolument bands (in HKD)	Number of individuals			Six months ended 30 June	
	Year ended 31 December 2016	2017	2018	2018	2019
				(Unaudited)	
Nil – 500,000	5	–	–	3	4
500,001 – 1,000,000	–	3	2	1	1
1,000,001 – 1,500,000	–	–	1	–	–
1,500,001 – 2,000,000	–	–	1	–	–

9 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Impairment loss provided for the year/period from:					
– Accounts receivable	10,123	1,334	6,963	1,194	438
– Other receivable	–	250	–	–	–
	<u>10,123</u>	<u>1,584</u>	<u>6,963</u>	<u>1,194</u>	<u>438</u>

10 OTHER INCOME AND OTHER GAIN – NET

	Notes	Year ended 31 December			Six months ended 30 June	
		2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000	2019 RMB'000
Other income						
Government grants		819	350	58	–	71
Interest income from loan to third parties	(a)	–	1,042	–	–	–
Total		<u>819</u>	<u>1,392</u>	<u>58</u>	<u>–</u>	<u>71</u>
Other gain – net						
Fair value change of financial assets measured at FVPL		19,211	27,850	31,704	20,475	23,301
Exchange gain or loss		386	(2,475)	4,033	1,333	629
Others		(359)	(1)	(14)	(12)	(7)
Total		<u>19,238</u>	<u>25,374</u>	<u>35,723</u>	<u>21,796</u>	<u>23,923</u>

(a) The interest rates of the loans were mutually agreed among the parties with reference to the market interest rates.

11 BENEFITS AND INTERESTS OF DIRECTORS

(a) Executive director's and Independent non-executive director's emoluments

For the year ended 31 December 2016:

	Fees RMB'000	Wages, salaries and bonus RMB'000	Contributions to pension plans RMB'000	Other social security costs, housing allowance and other allowance RMB'000	Total RMB'000
Executive directors					
Liu Chunhe*	–	163	10	9	182
Li Ping**	–	184	13	22	219
Wang Kui**	–	289	29	48	366
	<u>–</u>	<u>636</u>	<u>52</u>	<u>79</u>	<u>767</u>

For the year ended 31 December 2017:

	Fees <i>RMB'000</i>	Wages, salaries and bonus <i>RMB'000</i>	Contributions to pension plans <i>RMB'000</i>	Other social security costs, housing allowance and other allowance <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors					
Liu Chunhe*	–	489	32	40	561
Li Ping**	–	494	25	36	555
Wang Kui**	–	482	51	64	597
	–	1,465	108	140	1,713

For the year ended 31 December 2018:

	Fees <i>RMB'000</i>	Wages, salaries and bonus <i>RMB'000</i>	Contributions to pension plans <i>RMB'000</i>	Other social security costs, housing allowance and other allowance <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors					
Liu Chunhe*	–	344	49	63	456
Li Ping	–	365	45	57	467
Wang Kui**	–	580	55	70	705
Independent non- executive directors					
Pan Xiya***	–	–	–	–	–
Chi Shujin***	–	–	–	–	–
Liu Rong***	–	–	–	–	–
	–	1,289	149	190	1,628

For the six months ended 30 June 2018:

	Fees <i>RMB'000</i>	Wages, salaries and bonus <i>RMB'000</i>	Contributions to pension plans <i>RMB'000</i>	Other social security costs, housing allowance and other allowance <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors					
Liu Chunhe*	–	181	24	30	235
Li Ping**	–	194	17	23	234
Wang Kui**	–	294	26	34	354
	–	669	67	87	823

For the six months ended 30 June 2019:

	Fees <i>RMB'000</i>	Wages, salaries and bonus <i>RMB'000</i>	Contributions to pension plans <i>RMB'000</i>	Other social security costs, housing allowance and other allowance <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors					
Liu Chunhe*	–	144	24	32	200
Li Ping**	–	168	26	34	228
Wang Kui**	–	292	27	36	355
Independent non-executive directors					
Pan Xiya***	–	–	–	–	–
Chi Shujin***	–	–	–	–	–
Liu Rong***	–	–	–	–	–
	–	604	77	102	783

* Mr. Liu Chunhe was appointed as a director of the Company on 12 September 2018. The amounts presented above represent the wages, salaries and bonus, contributions to pension plans, other social security costs, housing allowance and other allowance paid during the Track Record Period.

** Mr. Li Ping and Mr. Wang Kui were appointed as directors of the Company on 22 June 2019. The amounts presented above represent the wages, salaries and bonus, contributions to pension plans, and other social security costs, housing allowance and other allowance paid during the Track Record Period;

*** Mr. Pan Xiya, Mr. Chi Shujin and Mr. Liu Rong were appointed as directors on 11 December 2019.

(b) Director's retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during the Track Record Period.

(c) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available Directors' services subsisted at the end of the year or at any time during the Track Record Period.

(d) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans or other dealings are entered into by the Company in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(e) Directors' material interests in transactions, arrangements or contract

Other than those disclosed in Note 32, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

12 INCOME TAX EXPENSES**(a) Cayman Islands Income Tax**

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

(b) Hong Kong Income Tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the assessable profits for the years presented, based on the existing legislation, interpretations and practices in respect thereof.

(c) PRC Enterprise Income Tax (“EIT”)

The income tax provision of the Group in respect of its operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the Track Record Period, based on the exiting legislation, interpretations and practices in respect therefore.

NewBornTown Network Technology has been qualified as “High and New Technology Enterprises” under the relevant PRC laws and regulations since 2017. Accordingly, NewBornTown Network Technology was entitled to a preferential income tax rate of 15% on its assessable profits for the years ended 31 December 2017 and 2018 and six months ended 30 June 2018 and 2019.

Shandong NewBornTown was accredited as a software enterprise under the relevant PRC laws and regulations since 2018. Accordingly, Shandong NewBornTown is exempt from EIT for two consecutive years for the years ended/ending 31 December 2018 and 2019, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2020 to 2022.

According to the relevant laws and regulations promulgated by the State Council of the People’s Republic of China, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). The State Taxation Administration of the People’s Republic of China announced in September 2018 that enterprises engaging in research and development activities would entitle to claim 175% of their research and development expenses as Super Deduction from 1 January 2018 to 31 December 2020. The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the year/period.

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current tax					
Current tax on profits for the year/period	611	148	–	–	4,479
Deferred income tax					
Changes in deferred tax assets/liabilities (Note 27)	14,154	4,647	8,873	4,992	4,291
Income tax expense	14,765	4,795	8,873	4,992	8,770

12a Reconciliation of income tax expenses

	Year ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Profit before income tax	55,980	36,776	68,610	38,202	20,496
Tax at the PRC statutory tax rate of 25%	13,995	9,194	17,153	9,551	5,124
Effect of different tax rates in other jurisdictions	–	–	–	–	10,974
Effect of preferential tax rates	–	(3,807)	(6,884)	(3,877)	(6,734)
Effect of expenses not deductible for income tax purposes	1,320	88	34	25	51
Effect of tax losses for which no deferred income tax assets were recognised	–	65	299	151	218
Effect of utilisation of previously unrecognised deductible tax losses	(273)	–	–	–	–
Effect of Super Deduction of research and development expenses	(277)	(745)	(1,729)	(858)	(863)
Income tax expenses	<u>14,765</u>	<u>4,795</u>	<u>8,873</u>	<u>4,992</u>	<u>8,770</u>

13 EARNINGS PER SHARE

13a Basic

Basic earnings per share for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019 are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year/period.

	Year ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Net profit attributable to the owners of the Company	41,215	31,981	59,737	33,210	11,726
Weighted average number of ordinary shares in issue (thousand)	<u>242,671</u>	<u>249,394</u>	<u>249,394</u>	<u>249,394</u>	<u>248,905</u>
Basic earnings per share (expressed in RMB per share)	0.170	0.128	0.240	0.133	0.047

Note: In determining the weighted average number of ordinary shares in issue during the Track Record Period, 227,530,754 share of the Company, which were issued and allocated by the Company in connection with Reorganisation, had been treated as if these shares were in issue since 1 January 2016. The increase of share capital of NewBornTown Mobile Technology on 6 May 2016, the new shares of the Company issued on 14 May 2019 to the pre-IPO investors and the shares repurchased in June 2019 are accounted at time portion basis. The movement of the ordinary shares is disclosed in Note 28.

13b Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018, there were no dilutive potential ordinary shares of the Company outstanding.

For the six months ended 30 June 2019, diluted earnings per share was calculated by dividing the adjusted profit attributable to owners of the Company by the diluted weighted average number of ordinary shares calculation.

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net profit attributable to the owners of the Company	41,215	31,981	59,737	33,210	11,726
Adjustments of net profit					
Fair value changes of convertible redeemable preferred shares	—	—	—	—	(91)
Adjusted net profit attributable to the owners of the Company	41,215	31,981	59,737	33,210	11,635
Weighted average number of ordinary shares in issue (thousand)	242,671	249,394	249,394	249,394	248,905
Diluted equivalent shares arising from convertible redeemable preferred shares (thousand)	—	—	—	—	57
Weighted average number of ordinary shares for calculating diluted earnings per share (thousand)	242,671	249,394	249,394	249,394	248,962
Diluted earnings per share (expressed in RMB per share)	0.170	0.128	0.240	0.133	0.047

The basic and diluted earnings per share as presented above has not taken into account the proposed capitalisation issue of 615,324,051 shares pursuant to the shareholders' resolution dated 11 December 2019 because the proposed capitalisation issue has not become effective as of the date of this report.

14 DIVIDENDS

No dividends have been paid or declared by the Company or any companies now comprising the Group during the Track Record Period.

15 PROPERTY AND EQUIPMENT

	Electronic equipment <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Right-of-use asset <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2016					
Cost	451	56	745	6,032	7,284
Accumulated depreciation	(57)	(9)	(31)	(281)	(378)
Net book amount	394	47	714	5,751	6,906
Year ended 31 December 2016					
Opening net book amount	394	47	714	5,751	6,906
Additions	863	4	–	–	867
Depreciation charge	(276)	(27)	(403)	(3,011)	(3,717)
Closing net book amount	981	24	311	2,740	4,056
As at 31 December 2016					
Cost	1,314	60	745	6,032	8,151
Accumulated depreciation	(333)	(36)	(434)	(3,292)	(4,095)
Net book amount	981	24	311	2,740	4,056
Year ended 31 December 2017					
Opening net book amount	981	24	311	2,740	4,056
Additions	426	–	–	6,382	6,808
Depreciation charge	(490)	(18)	(311)	(3,037)	(3,856)
Closing net book amount	917	6	–	6,085	7,008
As at 31 December 2017					
Cost	1,740	60	745	6,382	8,927
Accumulated depreciation	(823)	(54)	(745)	(297)	(1,919)
Net book amount	917	6	–	6,085	7,008
Year ended 31 December 2018					
Opening net book amount	917	6	–	6,085	7,008
Additions	544	34	–	–	578
Depreciation charge	(532)	(12)	–	(3,191)	(3,735)
Closing net book amount	929	28	–	2,894	3,851
As at 31 December 2018					
Cost	2,284	94	745	6,382	9,505
Accumulated depreciation	(1,355)	(66)	(745)	(3,488)	(5,654)
Net book amount	929	28	–	2,894	3,851

	Electronic equipment <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Right-of-use asset <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2018 (unaudited)					
Opening net book amount	917	6	–	6,085	7,008
Additions	92	–	–	–	92
Depreciation charge	(269)	(6)	–	(1,582)	(1,857)
Closing net book amount	<u>740</u>	<u>–</u>	<u>–</u>	<u>4,503</u>	<u>5,243</u>
As at 30 June 2018 (unaudited)					
Cost	1,832	60	745	6,382	9,019
Accumulated depreciation	(1,092)	(60)	(745)	(1,879)	(3,776)
Net book amount	<u>740</u>	<u>–</u>	<u>–</u>	<u>4,503</u>	<u>5,243</u>
Six months ended 30 June 2019					
Opening net book amount	929	28	–	2,894	3,851
Additions	150	6	–	–	156
Depreciation charge	(265)	(1)	–	(1,582)	(1,848)
Closing net book amount	<u>814</u>	<u>33</u>	<u>–</u>	<u>1,312</u>	<u>2,159</u>
As at 30 June 2019					
Cost	2,434	100	745	6,382	9,661
Accumulated depreciation	(1,620)	(67)	(745)	(5,070)	(7,502)
Net book amount	<u>814</u>	<u>33</u>	<u>–</u>	<u>1,312</u>	<u>2,159</u>

Depreciation charges were expensed off (Note 7) in the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Cost of revenue	2,289	3,147	3,011	1,409	1,354
General and administrative expenses	1,377	601	597	385	439
Research and development expenses	51	108	127	63	55
	<u>3,717</u>	<u>3,856</u>	<u>3,735</u>	<u>1,857</u>	<u>1,848</u>

During the Track Record Period, the Group obtains right to control the use of properties through entering respective lease arrangements. The leased assets cannot be used as security for borrowing purposes.

16 INTANGIBLE ASSETS

	Year ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Software					
As at 1 January					
Cost	8,000	8,000	8,003	8,003	8,003
Accumulated amortisation	<u>(867)</u>	<u>(1,667)</u>	<u>(2,468)</u>	<u>(2,468)</u>	<u>(3,270)</u>
Net book amount	<u>7,133</u>	<u>6,333</u>	<u>5,535</u>	<u>5,535</u>	<u>4,733</u>
Year/period ended					
Opening net book amount	7,133	6,333	5,535	5,535	4,733
Addition	–	3	–	–	–
Amortisation charge	<u>(800)</u>	<u>(801)</u>	<u>(802)</u>	<u>(401)</u>	<u>(400)</u>
Closing net book amount	<u>6,333</u>	<u>5,535</u>	<u>4,733</u>	<u>5,134</u>	<u>4,333</u>

Amortisation charges were expensed off (Note 7) in the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Cost of revenue	800	800	800	400	400
General and administrative expenses	<u>–</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>–</u>
	<u>800</u>	<u>801</u>	<u>802</u>	<u>401</u>	<u>400</u>

17 GOODWILL

	Year ended 31 December			Six months ended
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Cost and carrying amount:				
At the beginning of the year/period	4,737	5,058	4,727	4,955
Currency translation differences	321	(331)	228	20
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At the end of the year/period	<u>5,058</u>	<u>4,727</u>	<u>4,955</u>	<u>4,975</u>

Impairment tests for goodwill

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the goodwill of the Group was generated from acquisition of Great Sailing Media Limited in 2015, which is included in the segment of mobile advertising platform and related business. The Group carries out annual impairment test on goodwill by comparing the recoverable amount to the carrying amount. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations by using the discounted cash flow method. The calculation used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the five-year period. The growth rates are estimated between 10% to 30%, between 10% to 25% and between 10% to 25% for the impairment tests performed at 31 December 2016, 2017 and 2018 respectively, while for the years beyond the five-year period, the estimated continued growth rate to perpetuity is 3%. The gross margins are estimated around 29% for the impairment tests performed at 31 December 2016, 2017 and 2018 respectively, with reference to the historical average gross margin of the Company. The present value of cash flows is calculated by discounting the cash flow using pre-tax discount rate of 20% which was estimated by using the Weighted Average Cost of Capital ("WACC") method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies, and the specific risk of the Group's mobile advertising platform and related business.

The management reassessed the pre-tax discount rate to be used for goodwill impairment testing at each year end. Considering there was no material changes of the Group's mobile advertising platform and related business and its capital structure, alongside that 20% is within a reasonable range of the appropriate discount rate to be used, the management has applied the same pre-tax discount rate to perform the goodwill impairment test. In addition, had the upper end of the reasonable range of the pre-tax discount rate being used, the recoverable amount would still exceed the carrying value.

Based on the impairment test performed, the recoverable amount was over the carrying amount more than 20 times as at 31 December 2016, 2017 and 2018 respectively, therefore the management determined such goodwill was not impaired as at 31 December 2016, 2017 and 2018. For the period ended 30 June 2019, there was no indicator of impairment of goodwill.

The Group performs the sensitivity analysis based on the assumption that the pre-tax discount rate, gross margin, growth rate of revenue and the perpetual growth rate has been changed. Had the estimated key assumption during the forecast period been changed as below collectively, after incorporating the consequential effects of the change on the other variables used to measure the recoverable amount, the carrying amount would be approximately equal to its recoverable amount:

	As of 31 December		
	2016	2017	2018
Pre-Tax discount rate increase by	2%	2%	2%
Gross margin decrease by	5%	5%	5%
Growth rate of revenue decrease by	8%	4%	6%
Perpetual growth rate decrease by	1%	1%	1%

A reasonably possible change in key assumptions used in the impairment test of goodwill would not likely cause the carrying amount to exceed its recoverable amounts as at 31 December 2016, 2017 or 2018.

18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Notes	As at 31 December			As at
		2016	2017	2018	30 June
		RMB'000	RMB'000	RMB'000	2019
					RMB'000
Financial assets					
Financial assets at amortised cost	(a)				
Accounts and other receivable	19, 20	144,208	160,308	250,593	135,095
Cash and cash equivalents	23	79,139	71,987	80,628	105,780
Restricted bank deposits	22	392	849	894	898
Financial assets at fair value through profit and loss					
– Investment in WMPs	(b)	245,158	220,178	197,963	134,823
– Investment in equity interests of certain private companies	(c)	25,134	41,485	66,518	187,868
		<u>494,031</u>	<u>494,807</u>	<u>596,596</u>	<u>564,464</u>
Financial liabilities					
Financial liabilities at amortised cost					
Accounts and other payable (excluding non-financial liabilities)		78,558	66,514	93,478	156,548
Lease liabilities		2,934	6,123	2,999	1,370
Bank overdraft		255	249	88	44
Financial liabilities at fair value through profit or loss					
Convertible redeemable preferred shares	26	–	–	–	18,210
		<u>81,747</u>	<u>72,886</u>	<u>96,565</u>	<u>176,172</u>

- (a) As at 31 December 2016, 2017 and 2018 and 30 June 2019, the fair values of the financial assets and financial liabilities at amortised cost approximated their respective carrying amounts.
- (b) The WMPs were not principal guaranteed, and were therefore classified as financial assets as FVPL. The fair value measurement of these assets are disclosed in Note 3.3.

- (c) The Group made investments in equity interest of certain private companies and the changes in the balances for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 are as follows:

	Notes	As at 31 December			As at
		2016	2017	2018	30 June
		RMB'000	RMB'000	RMB'000	2019
					RMB'000
At the beginning of the year/period		945	25,134	41,485	66,518
Addition/(deduction) during the year/period	(i)	17,900	(200)	–	100,000
Fair value changes		6,289	16,551	25,033	21,350
At the end of the year/period		<u>25,134</u>	<u>41,485</u>	<u>66,518</u>	<u>187,868</u>

- (i) In 2016, the Group made an investment of RMB17,900,000 in Beijing Duanji Network Technology Co., Ltd., a private company in the mobile internet industry, which was merged by Beijing Mico World Technology Co., Ltd. (“Mico”) in 2017. After the merger, the equity interest held by the Group in Mico became 8.95%. In March 2019, the Group made an additional investment of RMB100,000,000 in Mico. Upon the completion of this investment, the Group's shareholding percentage over Mico became 16.77%. As the Group has no significant influence over Mico, the Group designated such investment as financial asset measured at FVPL. The fair value measurement of these assets is disclosed in Note 3.3.

19 ACCOUNTS RECEIVABLE

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Current assets				
Gross carrying amount	144,153	156,741	202,852	154,717
Less: impairment provision (Note 3.1)	(11,957)	(12,551)	(19,715)	(20,660)
	<u>132,196</u>	<u>144,190</u>	<u>183,137</u>	<u>134,057</u>
Non – current assets				
Gross carrying amount	–	–	9,489	–
Less: impairment provision (Note 3.1)	–	–	(474)	–
	<u>–</u>	<u>–</u>	<u>9,015</u>	<u>–</u>
Total accounts receivable	<u>132,196</u>	<u>144,190</u>	<u>192,152</u>	<u>134,057</u>

As at 31 December 2018, the Group entered into an agreement to renegotiate the payment schedule with one of its customers, pursuant to which, a portion of the total accounts receivable will be settled until April 2020, therefore the Group classified such balance as non-current assets.

APPENDIX I
ACCOUNTANT'S REPORT

An aging analysis of the gross accounts receivable as at 31 December 2016, 2017 and 2018 and 30 June 2019, based on date of recognition, is as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Up to 6 months	69,168	51,336	113,491	97,812
6 months to 1 year	60,277	36,690	5,289	17,361
1 year to 2 years	14,708	61,670	28,901	5,072
2 year to 3 years	–	7,045	57,326	25,778
Over 3 years	–	–	7,334	8,694
	<u>144,153</u>	<u>156,741</u>	<u>212,341</u>	<u>154,717</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Movement in lifetime ECL that has been recognised for accounts receivable is as follows:

	As at 31 December			As at 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year/period	(1,295)	(11,957)	(12,551)	(12,551)	(20,189)
Provision for impairment	(10,123)	(1,334)	(6,963)	(1,194)	(438)
Currency translation impacts	(539)	740	(675)	(191)	(33)
	<u>(11,957)</u>	<u>(12,551)</u>	<u>(20,189)</u>	<u>(13,936)</u>	<u>(20,660)</u>

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the analysis of carrying amounts of accounts receivable denominated in different currencies is as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Denominated in USD	143,746	144,897	199,270	102,674
Denominated in HKD	124	11,284	–	2,947
Denominated in RMB	275	556	13,071	49,096
Denominated in other currencies	8	4	–	–
	<u>144,153</u>	<u>156,741</u>	<u>212,341</u>	<u>154,717</u>

20 OTHER RECEIVABLE

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
From other related parties	–	–	10,846	–
From other parties	12,012	16,118	47,595	1,038
	<u>12,012</u>	<u>16,118</u>	<u>58,441</u>	<u>1,038</u>

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the analysis of carrying amounts of other receivable denominated in different currencies is as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Denominated in RMB	11,018	13,555	37,623	948
Denominated in USD	232	1,925	9,285	86
Denominated in HKD	762	638	11,533	4
	<u>12,012</u>	<u>16,118</u>	<u>58,441</u>	<u>1,038</u>

As at 31 December 2018, other receivable primarily included loans granted to third parties, the balance of which have been settled in March 2019.

21 OTHER CURRENT ASSETS

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Prepayment to suppliers	1,060	1,425	4,094	1,695
Deductible input value-added tax	–	14	–	–
	<u>1,060</u>	<u>1,439</u>	<u>4,094</u>	<u>1,695</u>

22 RESTRICTED BANK DEPOSITS

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Restricted bank deposits	392	849	894	898

The restricted bank deposits mainly comprised of bank deposits restricted as guarantee for bank overdraft.

23 CASH AND CASH EQUIVALENTS

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Cash in hand	–	–	–	499
Bank deposits at call	78,860	71,363	79,821	104,390
Cash in a payment platform	279	624	807	891
	<u>79,139</u>	<u>71,987</u>	<u>80,628</u>	<u>105,780</u>

For the year ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, the average interest rates of bank deposits at call were 0.03%, 0.01%, 0.05% and 0.08% respectively.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the analysis of carrying amounts of cash and cash equivalents denominated in different currencies is as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Denominated in RMB	11,011	1,676	1,251	3,186
Denominated in USD	67,572	50,263	42,947	78,021
Denominated in JPY	–	–	–	11
Denominated in HKD	442	19,919	36,226	24,359
Denominated in EUR	114	129	204	203
	<u>79,139</u>	<u>71,987</u>	<u>80,628</u>	<u>105,780</u>

24 ACCOUNTS PAYABLE

Aging analysis of the accounts payable at the end of each year end and period end of the Track Record Period based on the date of recognition are as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
– Up to 3 months	70,432	36,720	63,213	53,330
– 3 months to 6 months	3,606	4,882	5,863	4,758
– 6 months to 1 year	3,207	14,797	2,158	8,519
– 1 year to 2 years	757	8,433	10,163	5,102
– 2 years to 3 years	106	699	7,160	11,092
– More than 3 years	–	100	839	2,558
	<u>78,108</u>	<u>65,631</u>	<u>89,396</u>	<u>85,359</u>

Accounts payable are usually paid within 1 year of recognition.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the analysis of carrying amounts of accounts payable denominated in different currencies is as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Denominated in USD	77,795	55,809	88,894	62,454
Denominated in RMB	313	9,822	502	22,905
	<u>78,108</u>	<u>65,631</u>	<u>89,396</u>	<u>85,359</u>

25 OTHER PAYABLE

The Group

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Consideration payable for repurchase of shares (<i>Note 29</i>)	–	–	–	60,000
Accrued listing expense	–	–	–	10,770
Employee benefits payable	3,754	4,274	4,723	5,925
Refundable advances from customers	338	341	3,601	298
Other tax payables	476	334	281	2,050
Others	112	542	481	121
	<u>4,680</u>	<u>5,491</u>	<u>9,086</u>	<u>79,164</u>

Other payable is unsecured and is usually paid within 1 year of recognition.

The Company

	As at	As at
	31 December	30 June
	2018	2019
	RMB'000	RMB'000
Amount due to subsidiary for repurchase of shares (<i>Note 29</i>)	–	104,853
Consideration payable for repurchase of shares (<i>Note 29</i>)	–	60,000
Accrued listing fees	–	4,486
	<u>–</u>	<u>169,339</u>

26 CONVERTIBLE REDEEMABLE PREFERRED SHARES

In April 2019, Shanghai Haitong Xinxi Investment Center (Limited Partnership) (“Haitong Xinxi”), one of the then shareholders of NewBornTown Mobile Technology, entered into a share transfer agreement with Jiaying Fuqiang Ruiyi Equity Investment Limited Partnership (“China Fuqiang”), an independent third party, pursuant to which Haitong Xinxi transferred 484,864 shares, representing approximately 0.83% of the equity interest, in NewBornTown Mobile Technology to China Fuqiang at a consideration of RMB10 million. Upon the completion of such transaction, a shareholders agreement was entered into between NewBornTown Mobile Technology and its shareholders, pursuant to which, all the equity interests owned by China Fuqiang were converted from ordinary shares to convertible redeemable preferred shares (Series C Preferred Shares).

On 22 June 2019, as part of the Reorganisation, the Series C Preferred Shares held by China Fuqiang in NewBornTown Mobile Technology were re-designated into 2,078,286 preferred shares with par value of the Company US\$0.0001 per share.

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

(a) Conversion feature

These Preferred Shares shall be converted into ordinary shares at the option of holders at any time, or automatically be converted into ordinary shares, at the conversion price upon the earlier of (i) the closing of a Qualified IPO (“QIPO”), and (ii) the prior written approval of the majority preferred shareholders. In the event of the automatic conversion of these preferred shares upon a QIPO as aforesaid, the person(s) entitled to receive the ordinary shares issuable upon such conversion of preferred shares shall not be deemed to have converted such preferred shares until immediately prior to the closing of such QIPO.

(b) Redemption feature

Upon the occurrence of certain events stipulated in the shareholders’ agreement, such as the Group does not achieve a QIPO before 31 May 2020, holder of these preferred shares shall have the right to require and demand the Company to redeem all or any portion of its preferred shares, and the Company shall redeem these preferred shares held by the holder at a per share price equal to investment price paid by the holder plus uncompounded internal rate of return (“IRR”) of 10%, including cash dividend has paid to the preferred shareholders as applicable, within 120 days from the date of the redemption notice given to the Company.

The right of redemption will be terminated immediately prior to the filing of an application to the Stock Exchange for the Listing of and for permission to deal in the securities of the Company (the “Listing Application”); and it shall be reinforced automatically in full force and effect upon the earliest of (a) the return of or rejection from the Stock Exchange or the SFC in relation to the Listing Application; (b) the Company serving a notice of withdrawal of its Listing Application to the Stock Exchange; or (c) the lapse of its Listing Application.

(c) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the preferred shareholders shall be entitled to receive, prior and in preference to any distribution of any of the assets or funds legally available for distribution to its shareholders prior to and in preference to any distribution to the holders of ordinary shares, or any other class of series of shares by reason of their ownership of such shares, an amount equal to the sum of (i) total funds contributed to or invested in the Group, (ii) such amount which would give the preferred shareholders an uncompounded IRR of 10% on the preferred shareholders’ investments in the Group (including all accrued or declared but unpaid dividends thereon).

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 the consolidated statements of comprehensive income.

The movement of these preferred shares is set out as below:

	<i>RMB'000</i>
At 1 January 2016, 2017, 2018 and 2019	–
Issuance of Series C Preferred Shares	18,301
Changes in fair value	(91)
	<hr/>
At 30 June 2019	18,210
	<hr/> <hr/>

The Group used the discounted cash flow method to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of these preferred shares as at the date of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of these preferred shares are as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Discount rate	N/A	N/A	N/A	16%
Risk-free interest rate	N/A	N/A	N/A	2.32%-2.60%
Volatility	N/A	N/A	N/A	54%-55%

Discount rate was estimated by weighted average cost of capital as of each valuation date. The directors estimated the risk-free interest rate based on the yield curve of China Government Bonds as of the valuation date. Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as time to exit. Probability weight under each of the redemption feature and liquidation preferences was based on the directors' best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of these preferred shares on each valuation date.

The estimated carrying amount of these preferred shares as of 30 June 2019 would have been RMB1,583,000 lower/RMB1,915,000 higher should the discount rate used in discounted cash flow analysis be higher/lower by 1% from management's estimates.

Changes in fair value of Preferred Shares were recorded in "Fair value changes of convertible redeemable preferred shares". Management considered that fair value changes in these preferred shares that are attributable to changes of its own credit risk are not significant.

27 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using the tax rates at which are expected to be applied at the time of reversal of the temporary differences.

The amount of offsetting deferred income tax assets/liabilities is RMB507,000, RMB3,961,000, RMB3,396,000 and RMB2,317,000 for the year ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019. The analysis of deferred income tax assets and liabilities before offsetting is as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Deferred income tax assets				
– to be recovered after 12 months	8,125	2,541	945	2,317
– to be recovered within 12 months	3,051	6,122	2,451	–
	<u>11,176</u>	<u>8,663</u>	<u>3,396</u>	<u>2,317</u>

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Deferred income tax liabilities				
– to be recovered after 12 months	1,827	3,961	7,567	10,779
– to be recovered within 12 months	–	–	–	–
	<u>1,827</u>	<u>3,961</u>	<u>7,567</u>	<u>10,779</u>
27a Deferred tax assets				
	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
The balance comprises temporary differences attributable to:				
Accrued operating expenses	–	538	–	1,339
Accumulated tax loss	11,126	8,035	2,451	–
Others	50	90	945	978
Total deferred tax assets	<u>11,176</u>	<u>8,663</u>	<u>3,396</u>	<u>2,317</u>
Movements	Accrued operating expenses	Accumulated tax loss	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	–	23,470	50	23,520
Charged to profit or loss	–	(12,344)	–	(12,344)
At 31 December 2016	–	11,126	50	11,176
Credited/(charged) to profit or loss	538	(3,091)	40	(2,513)
At 31 December 2017	538	8,035	90	8,663
(Charged)/credited to profit or loss	(538)	(5,584)	855	(5,267)
At 31 December 2018	–	2,451	945	3,396
At 1 January 2018	538	8,035	90	8,663
(Charged)/credited to profit or loss	(538)	(1,860)	34	(2,364)
At 30 June 2018 (unaudited)	–	6,175	124	6,299
At 1 January 2019	–	2,451	945	3,396
Credited/(charged) to profit or loss	1,339	(2,451)	33	(1,079)
At 30 June 2019	<u>1,339</u>	<u>–</u>	<u>978</u>	<u>2,317</u>

Deferred income tax assets are recognised for deductible temporary differences to the extent that the realisation of the related tax benefits through future tax profit is probable.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Group did not recognise deferred income tax assets in respect of accumulated tax losses amounting to nil, RMB262,000, RMB1,194,000 and RMB2,066,000, respectively, which are expected to expire from 31 December 2022 to 31 December 2024.

27b Deferred tax liabilities

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
The balance comprises temporary differences attributable to:				RMB'000
Fair value changes	1,827	3,961	7,567	10,779

Movement	As at 31 December			As at 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Fair value changes					
As at 1 January	17	1,827	3,961	3,961	7,567
Charged to profit or loss	1,810	2,134	3,606	2,628	3,212
	1,827	3,961	7,567	6,589	10,779

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Group did not recognise deferred income tax liabilities in respect of undistributed retained earnings of the subsidiaries in PRC amounting to RMB1,322,000, RMB10,001,000, RMB32,373,000 and RMB88,996,000 respectively, as the Company is able to control the timing of the distribution of the retained earnings of these group companies and it is probable that these group companies would not make such distribution relating to these undistributed retained earnings in the foreseeable future.

28 SHARE CAPITAL/COMBINED CAPITAL

Share capital

The Company	Note	Number of shares authorised for issue	Number of shares in issue	Share capital USD'000	Equivalent share capital RMB'000
As at 12 September 2018, incorporation of the Company		500,000,000	–	–	–
As at 31 December 2018		500,000,000	–	–	–
Issuance of shares		–	247,357,606	24	171
Repurchase of shares		–	(18,125,688)	(2)	(12)
As at 30 June 2019	(a)	500,000,000	229,231,918	22	159

Note (a)

The authorised share capital of the Company was USD50,000 divided into 500,000,000 Shares of par value of USD0.0001 each. On 22 June 2019, the authorised share capital of the Company are reclassified and re-designated into the following 4 classes, including Ordinary Shares, Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares (Note 26).

Compared with Ordinary Shares, the Series A Preferred Shares and Series B Preferred Shares were granted certain special rights in relation to the Company. The key special rights for the shareholders of Series A Preferred Shares and Series B Preferred Shares are conversion rights, redemption rights and liquidation preferences.

The key terms for these special rights include:

- (a) Conversion rights, which are applicable to shareholders of Series A Preferred Shares and Series B Preferred Shares

The issue conversion rate for these preferred shares shall be determined by dividing preferred share issue price by the preferred share conversion price then in effect at the date of the conversion. The initial preferred share conversion price will be the preferred share issue price, with the conversion ratio fixed to one preferred share converted to one ordinary share. As applicable, the initial preferred share conversion price will be subject to adjustments to reflect stock dividends, stock splits and other events, which are within the control of the Company. The preferred share conversion price shall not be less than the par value of the ordinary shares.

These preferred shares shall be converted into ordinary shares at the option of holders at any time, or automatically be converted into ordinary shares, at the preferred shares conversion price upon the earlier of (i) the closing of a QIPO, and (ii) the prior written approval of the majority preferred shareholders. In the event of the automatic conversion of the preferred shares upon a QIPO as aforesaid, the person(s) entitled to receive the ordinary shares issuable upon such conversion of preferred shares shall not be deemed to have converted such preferred shares until immediately prior to the closing of such QIPO.

- (b) Redemption rights, which are applicable to shareholders of Series B Preferred Shares

Upon the occurrence of certain events stipulated in the shareholders' agreement, such as the Group does not achieve a QIPO or an qualified acquisition before 31 May 2020, holder of these preferred shares shall have the right to require and demand the founders of the Company, Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian ("the Founders") to redeem all or any portion of its preferred shares, and the Founders shall redeem the preferred shares held by the holder at a per share price equal to investment price paid by the holder plus un compounded IRR, including cash dividend has paid to the preferred shareholders as applicable.

- (c) Liquidation preferences, which are applicable to shareholders of Series B Preferred Shares

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the preferred shareholders shall be entitled to receive, prior and in preference to any distribution of any of the assets or funds legally available for distribution to its shareholders prior to and in preference to any distribution to the holders of ordinary shares, or any other class of series of shares by reason of their ownership of such shares, an amount equal to the sum of (i) total funds contributed to or invested in the Group, (ii) such amount which would give the preferred shareholders an un compounded IRR on the preferred shareholders' investments in the Group (including all accrued or declared but unpaid dividends thereon).

On 11 December 2019, the authorised share capital of the Company was increased to US\$300,000 divided into 3,000,000,000 shares of par value of USD0.0001 each, including (i) 2,581,151,162 Ordinary Shares, (ii) 173,794,516 Series A Preferred Shares, (iii) 237,833,522 Series B Preferred Shares, and (iv) 7,220,800 Series C Preferred Shares.

Pursuant to a written resolution passed on 11 December 2019, conditional on the share premium of the Company being credited as a result of the issue of shares pursuant to the global offering, the Company will capitalise the sum of US\$61,532 allot and issue a total of 615,324,051 shares credited as fully paid at par to the holders of shares whose names appear on the register of members of the Company at the close of business on the business day proceeding to the listing date in proportion to their then existing shareholdings in the Company.

Combined capital

The Group	Combined capital <i>RMB'000</i>
As at 1 January 2016	53,529
Capital injection from shareholders of the companies now comprising the Group	4,655
As at 31 December 2016, 2017 and 2018	58,184

As mentioned in Note 1.2 above, the Historical Financial Information has been prepared as if the current group structure had been in existence throughout Track Record Period or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under the control of Newborn Town Inc, where there is a shorter period. Combined capital as at 31 December 2016, 2017 and 2018 represent the combined share capital of the companies comprising the Group after elimination of inter-company transactions and balances.

29 OTHER RESERVE**The Group**

	Statutory reserve <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Total other reserve <i>RMB'000</i>
As at 1 January 2016	–	275,843	(449)	275,394
Other comprehensive income	–	–	3,674	3,674
Capital injection from shareholders of the Group (<i>note a</i>)	–	195,345	–	195,345
Deemed distribution for the Carve-out Business (<i>note b</i>)	–	(30,000)	–	(30,000)
Appropriation to statutory reserve	147	–	–	147
As at 31 December 2016	147	441,188	3,225	444,560
Other comprehensive loss	–	–	(7,277)	(7,277)
Deemed distribution for the Carve-out Business (<i>note b</i>)	–	(17,500)	–	(17,500)
Appropriation to statutory reserve	948	–	–	948
As at 31 December 2017	1,095	423,688	(4,052)	420,731
Other comprehensive income	–	–	8,028	8,028
Appropriation to statutory reserve	2,380	–	–	2,380
As at 31 December 2018	3,475	423,688	3,976	431,139
At 1 January 2018	1,095	423,688	(4,052)	420,731
Other comprehensive income	–	–	1,961	1,961
As at 30 June 2018 (Unaudited)	1,095	423,688	(2,091)	422,692

	Statutory reserve <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Total other reserve <i>RMB'000</i>
At 1 January 2019	3,475	423,688	3,976	431,139
Other comprehensive income	–	–	1,364	1,364
Reorganisation of the Group	–	58,184	–	58,184
Conversion of ordinary shares to preferred shares (<i>note c</i>)	–	(18,059)	–	(18,059)
Issuance of ordinary shares (<i>note d</i>)	–	385	–	385
Repurchase of share (<i>note e</i>)	–	(123,383)	–	(123,383)
As at 30 June 2019	<u>3,475</u>	<u>340,815</u>	<u>5,340</u>	<u>349,630</u>

The Company

	Capital reserve <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Total other reserve <i>RMB'000</i>
As at 12 September 2018, incorporation of the Company	<u>–</u>	<u>–</u>	<u>–</u>
As at 31 December 2018	<u>–</u>	<u>–</u>	<u>–</u>
Other comprehensive income	–	(250)	(250)
Capital contribution from shareholders	2,006,790	–	2,006,790
Issuance of ordinary shares (<i>note d</i>)	385	–	385
Repurchase of shares (<i>note e</i>)	(123,383)	–	(123,383)
As at 30 June 2019	<u>1,883,792</u>	<u>(250)</u>	<u>1,883,542</u>

(i) Capital reserve

The capital reserve mainly comprises the portion of contributions from owners of the Group in excess of share capital.

- (a) In 2016, the then shareholders of NewBornTown Mobile Technology contributed RMB200,000,000 in aggregate to NewBornTown Mobile Technology.
- (b) As explained in Note 1.2, NewBornTown Mobile Technology transferred Carve-out Business to an entity with the same shareholding structure as NewBornTown Mobile Technology as part of the Reorganisation, then the capital injection to the Carve-out Business during the Track Record Period was accounted for as deemed distribution to its shareholders.

- (c) The shares transferred to China Fuqiang were ordinary shares, which were then redeemable by Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian. From the perspective of the Company, it converted ordinary shares into preferred shares, which are redeemable by the Company. Balance of RMB18,059,000, being the fair value of the ordinary shares on the date of conversion were credited to capital reserve of the Company, while the fair value of the preferred shares amounting to RMB18,301,000 were credited to liability, and the difference amounting to RMB242,000 were debited to general and administrative expenses in accordance with IFRS 2 Share-based Payments, as the conversion had released Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian from the obligation of redemption, thus deemed to be economic benefits received by them.
- (d) In April 2019, Universe subscribed for 41,572 ordinary shares of the Company with a consideration of USD73,000 (equivalent to RMB0.5 million).
- (e) On 22 June 2019, the Company entered into share repurchase agreement with Phoenix Auspicious FinTech Investment L.P to repurchase 6,880,990 shares of the Company, which were redeemable by Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian, at a consideration of RMB100,000,000. The consideration was settled on 26 June 2019 and paid by Newborn Town International, a subsidiary of the Company. The consideration paid by the Company was credited to cash and cash equivalent, while the fair value of the repurchased shares amounting to RMB63,395,000 were debited to share capital of RMB4,000 and capital reserve of RMB63,391,000, and the difference amounted to RMB36,605,000 were debited to general and administrative expenses in accordance with IFRS 2 Share-based Payments, as the repurchase conducted by the Company had released Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian from the obligation of redemption, thus deemed to be economic benefits received by them.

On 26 June 2019, the Company entered into share repurchase agreement with Haitong Kaiyuan Investment Co., Ltd. to repurchase 5,622,349 shares of the Company at a consideration of RMB30,000,000. On 26 June 2019, the Company entered into share repurchase agreement with Shanghai Haitong Xinxi Investment Center (Limited Partnership) to repurchase 5,622,349 shares of the Company at a consideration of RMB30,000,000. All of these consideration was settled on 9 July 2019. Balance of RMB59,992,000 transferred out from the capital reserve on the date of repurchase. As the consideration of repurchase was lower than the fair value of repurchased shares, no share-based compensation expenses were recognised by the Company.

(ii) *Statutory reserves*

The statutory surplus reserves mainly comprises the following:

In accordance with the Company Law of the PRC, domestic enterprises in Mainland China are required to transfer 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC ("PRC GAAP"), to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital of such entities. Moreover, upon a resolution made by the shareholders, a certain percentage of domestic enterprises' profit after taxation, as determined under PRC GAAP, is transferred to the discretionary surplus reserve.

The statutory surplus reserves can be used to reduce previous years' losses, if any, and may be converted into paid-in capital, provided that the statutory reserve after such conversion is not less than 25% of the registered capital of relevant subsidiaries.

30 CASH FLOW INFORMATION

30a Cash (used in)/generated from operations

	Notes	For the year ended 31 December			Six months ended	
		2016	2017	2018	30 June	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax		55,980	36,776	68,610	38,202	20,496
Adjustments for						
Depreciation and amortisation	7	4,517	4,657	4,537	2,258	2,248
Net impairment losses on financial assets	9	10,123	1,584	6,963	1,194	438
Finance costs		215	94	219	128	54
Exchange gain or loss	10	(386)	2,475	(4,033)	(1,333)	(629)
Interest income from loan to third parties	10	–	(1,042)	–	–	–
Share-based compensation expense	29	–	–	–	–	36,847
Fair value changes of convertible redeemable preferred shares	26	–	–	–	–	(91)
Fair value change of financial assets measured at FVPL	10	(19,211)	(27,850)	(31,704)	(20,475)	(23,301)
Change in operating assets and liabilities:						
(Increase)/decrease in accounts receivable		(106,591)	(15,104)	(48,180)	(16,158)	58,604
(Increase)/decrease in other current assets		(868)	(455)	(2,301)	(2,125)	3,615
(Increase)/decrease in other receivable		(290)	(2,218)	(16,101)	(2)	21,527
Increase in restricted bank deposits		(25)	(548)	(39)	(10)	(4)
(Decrease)/increase in accounts payable		(3,387)	(14,963)	20,592	(14,389)	(4,107)
Increase in other payable		2,751	973	3,115	187	10,250
Cash (used in)/generated from operations		<u>(57,172)</u>	<u>(15,621)</u>	<u>1,678</u>	<u>(12,523)</u>	<u>125,947</u>

30b Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at 31 December			As at 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000	2019 RMB'000
Cash and cash equivalents	78,884	71,738	80,540	58,039	105,736
Consideration payable for repurchase of shares	–	–	–	–	(60,000)
Lease liabilities	(2,934)	(6,123)	(2,999)	(4,596)	(1,370)
Net debt	75,950	65,615	77,541	53,443	44,366
	Cash and cash equivalents RMB'000	Short-term borrowing RMB'000	Lease liabilities RMB'000	Consideration payable for repurchase of shares RMB'000	Total RMB'000
Net debt as at					
1 January 2016	37,838	(20,000)	(6,009)	–	11,829
Cash flows	37,142	20,000	3,290	–	60,432
Non-cash movement	–	–	(215)	–	(215)
Effects of exchange rate changes	3,904	–	–	–	3,904
Net debt as at 31 December 2016	78,884	–	(2,934)	–	75,950
Cash flows	(2,356)	–	3,287	–	931
Non-cash movement	–	–	(6,476)	–	(6,476)
Effects of exchange rate changes	(4,790)	–	–	–	(4,790)
Net debt as at 31 December 2017	71,738	–	(6,123)	–	65,615
Cash flows	2,906	–	3,343	–	6,249
Non-cash movement	–	–	(219)	–	(219)
Effects of exchange rate changes	5,896	–	–	–	5,896
Net debt as at 31 December 2018	80,540	–	(2,999)	–	77,541

	Cash and cash equivalents <i>RMB'000</i>	Short-term borrowing <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Consideration payable for repurchase of shares <i>RMB'000</i>	Total <i>RMB'000</i>
Net debt as at					
1 January 2018	71,738	–	(6,123)	–	65,615
Cash flows	(14,110)	–	1,655	–	(12,455)
Non-cash movement	–	–	(128)	–	(128)
Effects of exchange rate changes	411	–	–	–	411
Net debt as at 30 June 2018 (Unaudited)	<u>58,039</u>	<u>–</u>	<u>(4,596)</u>	<u>–</u>	<u>53,443</u>
Net debt as at					
1 January 2019	80,540	–	(2,999)	–	77,541
Cash flows	24,702	–	1,683	–	26,385
Non-cash movement	–	–	(54)	(60,000)	(60,054)
Effects of exchange rate changes	494	–	–	–	494
Net debt as at 30 June 2019	<u>105,736</u>	<u>–</u>	<u>(1,370)</u>	<u>(60,000)</u>	<u>44,366</u>

31 COMMITMENTS

Non-cancellable leases commitment

The Group leases some office under non-cancellable lease contract with lease term less than one year and has been exempted from recognition of right-of-use assets permitted under IFRS 16. The future aggregate minimum lease payment under the relevant non-cancellable lease contract are as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	<u>36</u>	<u>27</u>	<u>55</u>	<u>27</u>

32 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

32a Names and relationships with related parties

The following individuals/companies are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period.

Individuals/Companies	Relationship
Directors (Liu Chunhe, Li Ping, Wang Kui)	Director of the Company

32b Transactions with related parties

The transactions with related parties are conducted in the ordinary course of the Group's business on terms comparable to the terms of transactions with other entities that are not related parties. The Group prices its services and goods based on commercial negotiations with reference to rules and regulations stipulated by related authorities of the PRC Government, where applicable. The Group has also established its procurement policies and approval processes for purchases of goods and services, which do not depend on whether the counterparties are related parties or not.

The following transactions occurred with related parties:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Collection on behalf of the Group</i>					
Directors (Liu Chunhe, Li Ping, Wang Kui)	–	–	17,655	–	14,171
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

In 2018 and 2019, three directors of the Company entered into settlement arrangements with Newborn Town International to collect monetisation payments on behalf of the Group from certain customers in relation to the monetisation of certain mobile applications. They forwarded the relevant payments to the Group at the demand of the Group.

32c Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Other receivable from related parties</i>					
Directors (Liu Chunhe, Li Ping, Wang Kui)	–	–	10,846	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

32d Key management personnel remuneration

	Year ended 31 December			Six months ended 30 June	
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>
Wages, salaries and bonus	924	1,763	2,355	1,139	1,236
Contributions to pension plans	104	156	249	112	131
Other social security costs, housing allowance and other allowance	133	205	325	146	173
Total employee benefit expense	<u>1,161</u>	<u>2,124</u>	<u>2,929</u>	<u>1,397</u>	<u>1,540</u>

33 EVENTS AFTER THE REPORTING PERIOD

On 9 July 2019, the Company settled the consideration payable for repurchase of shares of RMB60,000,000, details of which is set out in Note 29.

On 14 August 2019, the Group entered into a payment schedule with one customer, whereby the customer agreed to repay all the outstanding service fees by 19 installments and the latest would be paid by 31 December 2020.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2019 and up to the date of this report.

Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2019.

The information set forth in this appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, as set forth in Appendix I, and is included in this appendix for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the sections headed "Financial Information" and the "Accountant's Report" set forth in Appendix I.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2019 as if the Global Offering had taken place on 30 June 2019.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 June 2019 or any future dates following the Global Offering. The unaudited pro forma statement of adjusted net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2019 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Unadjusted Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2019 ⁽¹⁾ RMB'000	Estimated net proceeds from the Global Offering ⁽²⁾ RMB'000	Unaudited pro forma adjusted net tangible assets of the Group attributable to equity holders of the Company RMB'000	Unaudited pro forma adjusted net tangible assets per Share RMB ⁽³⁾ HK\$ ⁽⁴⁾	
Based on the Offer Price of HK\$1.26 per Share, after a Downward Offer Price Adjustment of 10%	371,230	109,177	480,407	0.48	0.53
Based on the Offer Price of HK\$1.40 per Share	371,230	125,436	496,666	0.50	0.55
Based on the Offer Price of HK\$1.80 per Share	371,230	171,891	543,121	0.54	0.60

Notes:

- (1) The unadjusted audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2019 is extracted from the Accountant's Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company as at 30 June 2019 of RMB380,538,000 with an adjustment for the intangible assets and goodwill as at 30 June 2019 of RMB9,308,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$1.40 and HK\$1.80 per Share, respectively, and also based on an offer price of HK\$1.26 per Share, after making a downward offer price adjustment of 10%, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares were in issue immediately upon completion of the Global Offering, which is assumed to be on 30 June 2019 for the purpose of the pro forma financial information, and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option.
- (4) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.89897. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2019.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Newborn Town Inc.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Newborn Town Inc. (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 June 2019, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 17 December 2019, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 June 2019 as if the proposed initial public offering had taken place at 30 June 2019. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 30 June 2019, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma 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:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 17 December 2019

This Appendix contains a summary of the Memorandum and Articles of Association of the Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors.

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 12 September 2018 under the Cayman Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on 11 December 2019 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed "Documents delivered to the registrar of companies and available for inspection".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on 11 December 2019 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US\$300,000 divided into 3,000,000,000 shares of US\$0.0001 each.

2.2 *Directors*

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment 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 first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the

Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) 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 any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, 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 any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates 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.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. 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 a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied 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 meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 *Alteration of capital*

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths 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 specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote

at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association 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 held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by 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 proxy(ies) or representative(s) at any general meeting of the Company or at any general 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 entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

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

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such,

and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and 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 of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall 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 of

members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, 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 Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 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, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company 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 of the Company 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 in a winding up 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 amongst the members of the Company in proportion

to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any 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 of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**1 Introduction**

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 September 2018 under the Companies Law. As such, its 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 size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

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 premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia 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 a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (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) in 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;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any 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, 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.

Subject to the detailed provisions of the Companies Law, 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. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors 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 member of the company holding 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company 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 to act 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.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of 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 (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class 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 where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, 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.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) 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.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. 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.

10 Inspection of Books and Records

Members of a company will 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 of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand 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 and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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.

16 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 Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 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.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

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 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 not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 Cayman Islands Data Protection

We have certain duties under the Data Protection Law, 2017 of the Cayman Islands based on internationally accepted principles of data privacy – see www.newborntown.com.

22 General

Maples and Calder (Hong Kong) LLP, the Company’s legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising 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 section headed “Documents delivered to the registrar of companies and available for inspection” in Appendix V. 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/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated on 12 September 2018 in the Cayman Islands as an exempted company with limited liability with the registered company number 342524. Accordingly, our Company's corporate structure and Articles are subject to relevant laws of the Cayman Islands. A summary of our Articles and Memorandum of Association is set out in Appendix III of this prospectus. Our registered office is at Maples Corporate services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

Our principal place of business in Hong Kong is at Room 1903-4, Floor 19, Hong Kong Trade Centre, 161 Des Voeux Road Central, Hong Kong. Our Company is registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 26 June 2019, with AU-YEUNG Wai Ki Joseph, our authorised representative, appointed as the person to accept service of process and notices on our behalf in Hong Kong at our abovementioned principal place of business in Hong Kong.

2. Changes in authorised and issued share capital of our Company

As at the date of incorporation, our Company had an authorised share capital of US\$50,000.00 divided into 500,000,000 shares of US\$0.0001 each.

The following sets out the changes in our Company's share capital since its incorporation:

- On 12 September 2018, our Company issued one Share with a par value of US\$0.0001 to the initial subscriber Sertus Nominees (Cayman) Limited and such Share was transferred at par to Spriver Tech Limited on the same day.
- On 12 September 2018, our Company issued 63,166,999 Shares with a par value of US\$0.0001 each to Spriver Tech Limited.
- On 12 September 2018, our Company issued 21,047,000 Shares with a par value of US\$0.0001 each to Parallel World Limited.
- On 12 September 2018, our Company issued 15,786,000 Shares with a par value of US\$0.0001 each to Pixel Perfect Tech Limited.
- On 14 May 2019, our Company issued 10,715,817 Shares to Spriver Tech Limited and 41,572 Shares to Universe Intelligence Technology Limited.

- On 22 June 2019, the authorised share capital of our Company was reclassified and re-designated, made up of 361,321,497 ordinary Shares, 50,021,431 Series A Preferred Shares, 86,578,786 Series B Preferred Shares and 2,078,286 Series C Preferred Shares with a par value of US\$0.0001 each.
- On 22 June 2019, pursuant to the Reorganisation, our Company issued Preferred Shares in the following manner:
 - 19,481,355 Series A Preferred Shares to Phoenix Wealth Investment (Holdings) Limited;
 - 15,580,797 Series A Preferred Shares to Plum Venture;
 - 10,137,162 Series A Preferred Shares to Future Capital;
 - 4,822,117 Series A Preferred Shares to ICO STORE INC;
 - 32,557,630 Series B Preferred Shares to Phoenix Auspicious;
 - 26,789,541 Series B Preferred Shares to Haitong Kaiyuan;
 - 24,711,255 Series B Preferred Shares to Haitong Xinxi;
 - 2,520,360 Series B Preferred Shares to Hash Global; and
 - 2,078,286 Series C Preferred Shares to CHUANGQI.
- On 26 June 2019, our Company repurchased 6,880,990 Series B Preferred Shares from Phoenix Auspicious; on 9 July 2019 5,622,349 Series B Preferred Shares from Haitong Kaiyuan and 5,622,349 Series B Preferred Shares from Haitong Xinxi.
- On 11 December 2019, our Company issued 9,365,745 Shares with a par value of US\$0.0001 each to Three D Partners Limited; our Company issued 8,000,000 Shares with a par value of US\$0.0001 each to Bridge Partners Limited.
- On 11 December 2019, our Company increased the authorised share capital to US\$300,000 divided into (i) 2,581,151,162 Ordinary Shares, (ii) 173,794,516 Series A Preferred Shares, (iii) 237,833,522 Series B Preferred Shares, and (iv) 7,220,800 Series C Preferred Shares.

Save as disclosed herein, and in the section headed “History and Corporate Structure” in this prospectus and the Capitalisation Issue, there has been no alteration in our share capital of our Company since its incorporation.

3. Changes in share capital of our subsidiaries and PRC Operating Entities

The following alterations in the share capital of our subsidiaries and PRC Operating Entities have taken place within two years immediately preceding the date of this prospectus:

Shandong NewBornTown

Shandong NewBornTown was established in the PRC with limited liability on 30 August 2018, with an initial registered capital of RMB10 million. The registered capital of Shandong NewBornTown increased from RMB10 million to RMB10.5 million on 2 April 2019 due to additional subscription by Universe Intelligence Technology Limited.

Solo X Technology Limited

On 30 October 2018, Solo X Technology Limited was established in Hong Kong with the share capital of HK\$10,000.00 divided into 10,000 shares.

4. Resolutions of our Shareholders dated 11 December 2019

A general meeting of the Company was held on 11 December 2019, pursuant to which, among others:

- (a) our Company will, allot and issue a total of 615,324,051 Shares credited as fully paid at par to the holders of shares whose names appear on the register of members of our Company at the close of business on the business day preceding the Listing Date in proportion to their then existing shareholdings in our Company by capitalising the sum of US\$61,532.41 from the share premium account of our Company. The Shares allotted and issued pursuant to the above capitalisation issue will rank pari passu in all respects with the existing issued Shares;
- (b) conditional on (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as to be stated in this prospectus and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; (ii) the Offer Price having been determined; (iii) the International Underwriting Agreement having been duly executed and delivered on or around the Price Determination Date; and (iv) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not being terminated in accordance with the terms of the respective agreements, in each case on or before such dates and times specified in the respective Underwriting Agreements:
 - (1) our Company approved and adopted the Amended and Restated Memorandum and Articles of Association with effect from the listing;

- (2) the Global Offering (including the Shares which may be sold by the Over-allotment Option Grantor pursuant to the Over-allotment Option) was approved, and the Directors were authorised and directed to allot and issue, and to approve the transfer of the Offer Shares;
- (3) a general and unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the Global Offering, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be issued under the Over-allotment Option);
- (4) a general unconditional mandate (the “Repurchase Mandate”) was given to our Directors to exercise all powers of our Company to repurchase its own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be issued under the Over-allotment Option);
- (5) the general unconditional mandate as mentioned in paragraph (4) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (5) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be issued under the Over-allotment Option)).

5. Corporate Reorganisation

For details of the Reorganisation which was effected for the Listing, please refer to the section headed “History and Corporate Structure” in this prospectus.

6. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or any member of our Group within two years preceding the date of this prospectus and are or may be material:

- (a) the equity transfer agreement dated 12 December 2018 entered into between NewBornTown Network Technology and Hua Qiong (華琮), pursuant to which NewBornTown Network Technology transferred its 80% equity interest in Beijing Qianji Mobile Technology Co., Ltd. (北京千極移動科技有限責任公司) to Hua Qiong (華琮) at nil consideration;
- (b) the equity transfer agreement dated 15 December 2018 entered into between NewBornTown Mobile Technology and Shandong NewBornTown, pursuant to which NewBornTown Mobile Technology transferred its 51% equity interest in Fujian Youdian Neirong Culture Media Co., Ltd. (福建有點內容文化傳媒有限公司) to Shandong NewBornTown at the consideration of RMB7,285,714;
- (c) the equity transfer agreement dated 20 December 2018 entered into between NewBornTown Network Technology and Hua Qiong (華琮), pursuant to which NewBornTown Network Technology transferred its 10% equity interest in Chongqing Small World Network Technology Co., Ltd. (重慶小世界網絡科技有限公司) to Hua Qiong (華琮) at nil consideration;
- (d) the investment agreement dated 22 March 2019 entered into among NewBornTown Network Technology, Ningbo Meishan Bonded Port Beichen Xinshineng Equity Investment Partnership Enterprise (Limited Partnership) (寧波梅山保稅港區北辰新勢能股權投資合夥企業(有限合夥)), Cao Wen (曹雯), Beijing Mico World Technology Co., Ltd. (北京米可世界科技有限公司), Ye Chunjian (葉椿建), Tianjin Tonghe Chuangyuan Enterprise Management Consulting Centre (Limited Partnership) (天津通和創源企業管理諮詢中心(有限合夥)), Ningbo Meishan Bonded Port Tonghe Chuangyuan Enterprise Management Centre (Limited Partnership) (寧波梅山保稅港區通和創源企業管理中心(有限合夥)), Wang Xinming (王新明), Wang Xiaobin (王曉斌), Wu Shichun (吳世春), Ningbo Meihua Mingshi Investment Partnership Enterprise (Limited Partnership) (寧波梅花明世投資合夥企業(有限合夥)), Zhang Qinglai (張慶來), Ye Kai (葉凱), Zhang Wenlong (張文龍), Zhang Zhihe (張治和), Jiaxing Zizhi No. 1 Equity Investment Partnership Enterprise (Limited Partnership) (嘉興自知一號股權投資合夥企業(有限合夥)) and Beijing Phoenix Fortune Interconnection Investment Fund (Limited Partnership) (北京鳳凰祥瑞互聯投資基金(有限合夥)), pursuant to which NewBornTown Network Technology and Ningbo Meishan Bonded Port Beichen Xinshineng Equity Investment Partnership Enterprise (Limited Partnership) (寧波梅山保稅港區北辰新勢能股權投資合夥企業(有限合夥)) subscribed for 8.85% and 2.65% equity interest in the enlarged registered share capital of Beijing Mico World Technology Co., Ltd. (北京米可世界科技有限公司) at a consideration of RMB100 million and RMB30 million, respectively;

- (e) the capital increase agreement relating to Shandong NewBornTown dated 22 March 2019 entered into between Shandong NewBornTown, NewBornTown Network Technology and Universe Intelligence Technology Limited, pursuant to which Universe Intelligence Technology Limited subscribed for RMB500,000 additional registered capital of Shandong NewBornTown at a consideration of the US\$ equivalent of RMB500,000;
- (f) the equity transfer agreement dated 28 March 2019 entered into between Beijing Zhonghe Tongrun Management and Consulting Co., Ltd. (北京中和通潤管理諮詢有限公司) and Shandong NewBornTown, pursuant to which Shandong NewBornTown transferred its 51% equity interest in Fujian Youdian Neirong Culture Media Co., Ltd. (福建有點內容文化傳媒有限公司) to Beijing Zhonghe Tongrun Management and Consulting Co., Ltd. (北京中和通潤管理諮詢有限公司) at the consideration of RMB1;
- (g) the partnership interest transfer agreement dated 28 March 2019 entered into between Beijing Zhonghe Tongrun Management and Consulting Co., Ltd. (北京中和通潤管理諮詢有限公司) and NewBornTown Network Technology, pursuant to which NewBornTown Network Technology transferred its 9.67% partnership interest in Tibet Zhirui Venture Capital Enterprise (Limited Partnership) (西藏志睿創業投資企業(有限合夥)) to Beijing Zhonghe Tongrun Management and Consulting Co., Ltd. (北京中和通潤管理諮詢有限公司) at the consideration of RMB1;
- (h) the equity transfer agreement dated 9 April 2019 entered into between NewBornTown Network Technology and Solo X Technology Limited, pursuant to which NewBornTown Network Technology transferred its 95.2381% equity interest in Shandong NewBornTown to Solo X Technology Limited at the consideration of RMB10 million;
- (i) the equity transfer agreement dated 9 April 2019 entered into between Universe Intelligence Technology Limited and Solo X Technology Limited, pursuant to which Universe Intelligence Technology Limited transferred its 4.7619% equity interest in Shandong NewBornTown to Solo X Technology Limited at the consideration of RMB500,000;
- (j) the shareholders agreement relating to NewBornTown Mobile Technology dated 15 April 2019 entered into among Beijing Phoenix Fortune Interconnection Investment Fund (Limited Partnership) (北京鳳凰祥瑞互聯投資基金(有限合夥)), NewBornTown Mobile Technology, Liu Chunhe (劉春河), Li Ping (李平), Ye Chunjian (葉椿建), Ningbo Meihua Shunshi Angel Capital Partnership Enterprise (Limited Partnership) (寧波梅花順世天使投資合夥企業(有限合夥)), Huang Mingming (黃明明), Du Li (杜力), Beijing Amphora Guotai Venture Capital Investment Co., Ltd. (北京安芙蘭國泰創業投資有限公司), Haitong Kaiyuan Investment Co., Ltd. (海通開元投資有限公司), Shanghai Haitong Xinxi Investment Center (Limited Partnership) (上海海桐信兮投資中心(有限合夥)), Beijing Hande Houcheng Enterprise Management Centre (Limited Partnership) (北京含德厚城企業管理中心(有限合夥)), Shanghai Longwin Xinhui Investment Partnership Enterprise (Limited Partnership) (上海朗聞信琥投資合夥企業(有限合夥)), NewBornTown Network Technology, Jiaxing Fuqiang Ruiyi Equity Investment Enterprise (Limited Partnership) (嘉興富強瑞益股權投資合夥企業(有限合夥)) and Qingdao Amphora Shixin Venture Capital Co. Ltd. (青島安芙蘭世欣創業投資有限公司);

- (k) the agreement on share sale and purchase of Newborn Town International Enterprise Limited dated 20 June 2019 entered into between NewBornTown Network Technology and the Company, pursuant to which NewBornTown Network Technology transferred its 100% equity interest in Newborn Town International Enterprise Limited to the Company at the consideration of HK\$1;
- (l) the share repurchase agreement dated 22 June 2019 entered into between Phoenix Auspicious FinTech Investment L.P. and the Company, pursuant to which the Company repurchased 6,880,990 Series B Preferred Shares from Phoenix Auspicious FinTech Investment L.P. at the consideration of the US\$ equivalent of RMB100 million;
- (m) the share repurchase agreement dated 26 June 2019 entered into between Haitong Kaiyuan Investment Co., Ltd. (海通開元投資有限公司) and the Company, pursuant to which the Company repurchased 5,622,349 Series B Preferred Shares from Haitong Kaiyuan Investment Co., Ltd. (海通開元投資有限公司) at the consideration of the US\$ equivalent of RMB30 million;
- (n) the share repurchase agreement dated 26 June 2019 entered into between Shanghai Haitong Xinxin Investment Center (Limited Partnership) (上海海桐信兮投資中心(有限合夥)) and the Company, pursuant to which the Company repurchased 5,622,349 Series B Preferred Shares from Shanghai Haitong Xinxin Investment Center (Limited Partnership) (上海海桐信兮投資中心(有限合夥)) at the consideration of the US\$ equivalent of RMB30 million;
- (o) the exclusive equity call option agreement (the “**Exclusive Equity Call Option Agreement**”) dated 26 June 2019 entered into among (i) Shandong NewBornTown; (ii) Liu Chunhe (劉春河), Li Ping (李平), Ye Chunjian (葉椿建), Beijing Phoenix Fortune Interconnection Investment Fund (Limited Partnership) (北京鳳凰祥瑞互聯投資基金(有限合夥)), Ningbo Meihua Shunshi Angel Capital Partnership Enterprise (Limited Partnership) (寧波梅花順世天使投資合夥企業(有限合夥)), Huang Mingming (黃明明), Du Li (杜力), Beijing Amphora Guotai Venture Capital Investment Co., Ltd. (北京安芙蘭國泰創業投資有限公司), Haitong Kaiyuan Investment Co., Ltd. (海通開元投資有限公司), Shanghai Haitong Xinxin Investment Center (Limited Partnership) (上海海桐信兮投資中心(有限合夥)), Beijing Hande Houcheng Enterprise Management Centre (Limited Partnership) (北京含德厚城企業管理中心(有限合夥)), Shanghai Longwin Xinhua Investment Partnership Enterprise (Limited Partnership) (上海朗聞信誼投資合夥企業(有限合夥)) and Jiaxing Fuqiang Ruiyi Equity Investment Partnership Enterprise (Limited Partnership) (嘉興富強瑞益股權投資合夥企業(有限合夥)) (collectively as “**Party B**”); and (iii) NewBornTown Mobile Technology, pursuant to which each of Party B shall irrevocably grant Shandong NewBornTown or its designated purchaser(s) the exclusive right to purchase the equity interests in NewBornTown Mobile Technology, in whole or in part at any time and at one or more than one time, at RMB1;

- (p) the exclusive business cooperation agreement dated 26 June 2019 entered into between Shandong NewBornTown and NewBornTown Mobile Technology, pursuant to which Shandong NewBornTown shall provide exclusive technical support, consultancy and other services to NewBornTown Mobile Technology for a service fee equivalent to 100% of the consolidated profit in any financial year of NewBornTown Mobile Technology, after offsetting the accumulative loss (if any) in the previous financial year(s) of NewBornTown Mobile Technology and its subsidiaries and deducting the operating capital, expenditure and tax items required for any financial year;
- (q) the exclusive assets call option agreement dated 26 June 2019 entered into between NewBornTown Mobile Technology and Shandong NewBornTown, pursuant to which the NewBornTown Mobile Technology shall irrevocably grant Shandong NewBornTown or its designated purchaser(s) the exclusive right to purchase all intellectual properties and all other assets in NewBornTown Mobile Technology at any time and at one or more than one time, at RMB1;
- (r) the equity pledge agreement dated 26 June 2019 entered into among (i) Shandong NewBornTown; (ii) Liu Chunhe (劉春河), Li Ping (李平), Ye Chunjian (葉椿建), Beijing Phoenix Fortune Interconnection Investment Fund (Limited Partnership) (北京鳳凰祥瑞互聯投資基金(有限合夥)), Ningbo Meihua Shunshi Angel Capital Partnership Enterprise (Limited Partnership) (寧波梅花順世天使投資合夥企業(有限合夥)), Huang Mingming (黃明明), Du Li (杜力), Beijing Amphora Guotai Venture Capital Investment Co., Ltd. (北京安芙蘭國泰創業投資有限公司), Haitong Kaiyuan Investment Co., Ltd. (海通開元投資有限公司), Shanghai Haitong Xinxi Investment Center (Limited Partnership) (上海海桐信兮投資中心(有限合夥)), Beijing Hande Houcheng Enterprise Management Centre (Limited Partnership) (北京含德厚城企業管理中心(有限合夥)), Shanghai Longwin Xinhua Investment Partnership Enterprise (Limited Partnership) (上海朗聞信琥投資合夥企業(有限合夥)) and Jiaying Fuqiang Ruiyi Equity Investment Partnership Enterprise (Limited Partnership) (嘉興富強瑞益股權投資合夥企業(有限合夥)) (collectively as “**Party B**”); and (iii) NewBornTown Mobile Technology, pursuant to which each of Party B agreed to pledge all of their respective equity interests they owned in NewBornTown Mobile Technology (including any interest or dividend paid for the shares thereof) to Shandong NewBornTown to secure each of their obligations under, among other things, the Exclusive Equity Call Option Agreement;
- (s) the shareholders agreement relating to the Company dated 26 June 2019 entered into among (i) Liu Chunhe (劉春河), Li Ping (李平), Ye Chunjian (葉椿建) as founders; (ii) Spriver Tech Limited, Parallel World Limited, Pixel Perfect Tech Limited as founder companies; (iii) Ningbo Meihua Shunshi Angel Capital Partnership Enterprise (Limited Partnership) (寧波梅花順世天使投資合夥企業(有限合夥)), Future Capital Discovery Fund I, L.P., Phoenix Wealth Investment (Holdings) Limited, ICO STORE INC as Series A Preferred Shareholders; (iv) Phoenix Auspicious FinTech Investment L.P., Hash Global Management Company Ltd.,

Haitong Kaiyuan Investment Co., Ltd. (海通開元投資有限公司), Shanghai Haitong Xinxi Investment Center (Limited Partnership) (上海海桐信兮投資中心(有限合夥)) as Series B Preferred Shareholders; (v) CHUANGQI INTERNATIONAL LIMITED as Series C Preferred Shareholder; (vi) Ginkgo Kik Limited, Universe Intelligence Technology Limited as other Shareholders; and (vii) and the Company;

- (t) the deed of indemnity dated 11 December 2019 entered into between Liu Chunhe, Li Ping and the Company in relation to the provision of certain indemnities by Liu Chunhe and Li Ping in favour of the Company and its subsidiaries;
- (u) the deed of non-competition dated 11 December 2019 entered into between Liu Chunhe, Li Ping and the Company in respect of the non-competition undertaking given by Liu Chunhe and Li Ping in favour of the Company;
- (v) the deed of settlement constituting Three D Partners Trust dated 7 November 2019 and entered into between the Company and TMF Trust (HK) Limited, pursuant to which the Company made the settlement for its employee incentive scheme;
- (w) the deed of settlement constituting Bridge Partners Trust dated 7 November 2019 and entered into between the Company and TMF Trust (HK) Limited, pursuant to which the Company made the settlement for its employee incentive scheme;
- (x) the Hong Kong Public Offer Underwriting Agreement;
- (y) the cornerstone investment agreement dated 13 December 2019 entered into among the Company, Huobi Capital Inc., SBI China Capital Financial Services Limited, CMBC International Capital Limited, CMBC Securities Company Limited and Haitong International Securities Company Limited, pursuant to which Huobi Capital Inc. agreed to subscribe for the Shares at the Offer Price, with an aggregate consideration of US\$1,000,000; and
- (z) the cornerstone investment agreement dated 13 December 2019 entered into among the Company, LC ELEC TRADE CO., LIMITED, SBI China Capital Financial Services Limited, CMBC International Capital Limited, CMBC Securities Company Limited and Haitong International Securities Company Limited, pursuant to which LC ELEC TRADE CO., LIMITED agreed to subscribe for the Shares at the Offer Price, with an aggregate consideration of US\$2,000,000.

B. PURCHASE BY THE COMPANY OF ITS OWN SECURITIES**1. Provisions of the Listing Rules**

The Listing Rules permit companies whose primary listing is on the Stock Exchange to purchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) *Shareholders' approval*

The Listing Rules provide that all purchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

(b) *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 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.

Under Cayman Islands law, any repurchase by the Company may be made out of profits of the Company, out of the Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Cayman Companies Law, out of capital. Any premium payable on a repurchase over the par value of the Shares to be repurchased must be provided for out of either or both of the profits or the share premium account of the Company or, if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(c) *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 Cayman Islands law, 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 will 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 shall not be taken as reducing the amount of the Company's authorised share capital under Cayman Islands law.

(d) *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 their respective close associates (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

2. Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have 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 Shareholders.

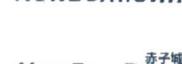
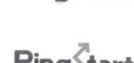
3. General

- (a) None of our Directors, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.
- (b) 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 and regulations of the Cayman Islands.
- (c) If, as a result of any repurchase of Shares, a Shareholder’s proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert 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.
- (d) No core connected person (as defined in the Listing Rules) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

C. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

1. Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material to our business:

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Date of Expiration (dd/mm/yyyy)
1		PRC	NewBornTown Network Technology	9	18639408	27/01/2027
2		PRC	NewBornTown Network Technology	35	18639407	27/01/2027
3		PRC	NewBornTown Network Technology	38	18639406	27/01/2027
4		PRC	NewBornTown Network Technology	41	18639405	27/01/2027
5		PRC	NewBornTown Network Technology	42	18639404	27/01/2027
6		PRC	NewBornTown Network Technology	9	18171244	06/12/2026
7		PRC	NewBornTown Network Technology	38	18171242	06/12/2026
8		PRC	NewBornTown Network Technology	41	18171241	06/12/2026
9		PRC	NewBornTown Network Technology	9	17570960	27/09/2026
10		PRC	NewBornTown Network Technology	38	17570959	27/09/2026
11		PRC	NewBornTown Network Technology	42	17570958	20/09/2026
12		PRC	NewBornTown Network Technology	9	17570957	27/11/2026
13	赤子城	PRC	NewBornTown Network Technology	9	15105421	20/09/2025
14	赤子城	PRC	NewBornTown Network Technology	38	15105419	20/09/2025
15	赤子城	PRC	NewBornTown Network Technology	41	15105418	20/09/2025
16	solo	PRC	NewBornTown Network Technology	38	15105416	20/09/2025

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Date of Expiration (dd/mm/yyyy)
17		PRC	NewBornTown Network Technology	41	15105415	06/11/2026
18		PRC	NewBornTown Network Technology	42	15105414	27/04/2026
19		PRC	NewBornTown Mobile Technology	42	13199923	20/02/2025
20		PRC	NewBornTown NetWork Technology	9	33234188	27/05/2029
21		PRC	NewBornTown NetWork Technology	35	33234187	06/09/2029
22		PRC	NewBornTown NetWork Technology	38	33234186	27/05/2029
23		PRC	NewBornTown NetWork Technology	41	33234185	27/05/2029
24	 Solo Launcher	Brazil	NewBornTown Network Technology	9	908729952	13/06/2027
25	 Solo Launcher	Russia	NewBornTown Network Technology	9, 42	572211	10/12/2024
26	 Solo Launcher	Malaysia	NewBornTown Network Technology	9	2015050604	21/01/2025
27	 Solo Launcher	Malaysia	NewBornTown Network Technology	42	2015050600	21/01/2025
28	 Solo Launcher	European Union	NewBornTown Network Technology	9, 42	013514807	01/12/2024
29	 Solo Launcher	United States	NewBornTown Network Technology	9, 42	4807579	07/09/2025
30	 Solo Launcher	Vietnam	NewBornTown Network Technology	9, 42	279600	07/12/2024
31	 Solo Launcher	Hong Kong	NewBornTown Network Technology	9, 42	303225861	04/12/2024
32	 Solo Launcher	Singapore	NewBornTown Network Technology	9, 42	40201401539S	05/12/2024
33	SoloMath	United States	NewBornTown NetWork Technology	42	5843435	26/08/2029

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Date of Expiration (dd/mm/yyyy)
34		United States	NewBornTown NetWork Technology	35	5827825	05/08/2029
35		United States	NewBornTown NetWork Technology	42	5843436	26/08/2029
36		Hong Kong	Solo X Technology Limited	9, 35, 38, 41, 42	304850640	07/03/2029
37	newborntown	Hong Kong	Solo X Technology Limited	9, 35, 38, 41, 42	304850631	07/03/2029
38	Newborn Town	Hong Kong	Solo X Technology Limited	9, 35, 38, 41, 42	304936087	22/05/2029
39		Hong Kong	Solo X Technology Limited	35	304970944	24/06/2029
40		United States	NewBornTown Network Technology	9, 41	5910118	11/11/2029

As at the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be material to our business:

No.	Trademark	Place of Registration	Registered Owner	Class	Application Number	Date of Application (dd/mm/yyyy)
1		PRC	NewBornTown Network Technology	41	36082596	22/01/2019
2		PRC	NewBornTown Network Technology	42	36075334	22/01/2019
3		PRC	NewBornTown Network Technology	35	36075282	22/01/2019
4		PRC	NewBornTown Network Technology	42	33234155	31/08/2018
5		PRC	NewBornTown Network Technology	9	39075401	24/06/2019
6		PRC	NewBornTown Network Technology	35	39079458	24/06/2019
7		PRC	NewBornTown Network Technology	38	39068147	24/06/2019
8		PRC	NewBornTown Network Technology	41	39079462	24/06/2019
9		PRC	NewBornTown Network Technology	42	39072465	24/06/2019
10		PRC	NewBornTown Network Technology	9	40979081	11/09/2019
11		PRC	NewBornTown Network Technology	36	40995949	11/09/2019
12		PRC	NewBornTown Network Technology	9	40992847	11/09/2019
13		PRC	NewBornTown Network Technology	36	40975111	11/09/2019
14		United States	NewBornTown Network Technology	35	88278119	27/01/2019
15		United States	NewBornTown Network Technology	9	88520385	17/07/2019
16		United States	NewBornTown Network Technology	35	88520407	17/07/2019

2. Copyright

As at the Latest Practicable Date, we had registered the following material copyrights:

No.	Name of Copyright	Place of Registration	Registration Number	Registered Owner	Date of Registration (dd/mm/yyyy)
1	Solo Launcher Software (赤子城手機桌面軟件)	PRC	2014SR143914	NewBornTown Network Technology	24/09/2014
2	Solo Weather Software (赤子城手機天氣軟件)	PRC	2014SR143927	NewBornTown Network Technology	24/09/2014
3	Solo Locker Software (Solo Locker 軟件)	PRC	2015SR174516	NewBornTown Network Technology	09/09/2015
4	Solo AppLock Software (Solo 應用鎖軟件)	PRC	2015SR265390	NewBornTown Network Technology	17/12/2015
5	Solo Lock Screen System Software (Solo一鍵鎖 屏系統)	PRC	2015SR264047	NewBornTown Network Technology	17/12/2015
6	Solo Notifier System Software (Solo消息提 醒系統)	PRC	2015SR265418	NewBornTown Network Technology	17/12/2015
7	Locker Knight Software (鎖屏騎士軟件)	PRC	2016SR088877	NewBornTown Network Technology	27/04/2016
8	Solo Now Advertising Intelligent Optimisation System Software (Solo Now 廣告智能優化系統)	PRC	2018SR931175	NewBornTown Network Technology	21/11/2018
9	Solar: Newborntown Cartoon Image (赤子城 卡通形象-Solar)	PRC	2016F00216416	NewBornTown Network Technology	04/05/2016
10	Android Home Screen System Software (安卓手機桌面首屏系 統)	PRC	2015L00230072	NewBornTown Network Technology	29/09/2015

No.	Name of Copyright	Place of Registration	Registration Number	Registered Owner	Date of Registration (dd/mm/yyyy)
11	Solo Adfetch Advertiser's Material Review System Software (Solo Adfetch 廣告主素材審查系統)	PRC	2019SR0083590	Shandong NewBornTown	24/01/2019
12	Solo Finace Math: Financial Product Analysis System Software (Solo Finace Math金融類產品分析系統)	PRC	2019SR0084133	Shandong NewBornTown	24/01/2019
13	Solo Game Math: Game Product Analysis Service System Software (Solo Game Math 遊戲類產品分析服務系統)	PRC	2019SR0083486	Shandong NewBornTown	24/01/2019
14	Solo Persona: User Persona System Software (Solo Persona 用戶畫像系統)	PRC	2019SR0083483	Shandong NewBornTown	24/01/2019
15	Solo Tag: User Label Self-improvement System Software (Solo Tag 用戶標籤自完善系統)	PRC	2019SR0083480	Shandong NewBornTown	24/01/2019
16	Solo Tracking: Advertising Firewall System Software (Solo Tracking 廣告防火牆系統)	PRC	2019SR0083596	Shandong NewBornTown	24/01/2019
17	Tool Product Analysis System Software (工具類產品分析系統)	PRC	2019SR0084154	Shandong NewBornTown	24/01/2019
18	Specialised Robot Flow Identification System Software (專注於機器人流量識別系統)	PRC	2019SR0084141	Shandong NewBornTown	24/01/2019
19	Fancy: Desktop Landscaping Software (Fancy 安卓桌面美化軟件)	PRC	2019SR0254510	NewBornTown Network Technology	15/03/2019
20	Free Horoscope Plus Software (Free Horoscope Plus 軟件)	PRC	2019SR0254515	NewBornTown Network Technology	15/03/2019

No.	Name of Copyright	Place of Registration	Registration Number	Registered Owner	Date of Registration (dd/mm/yyyy)
21	Free Music App Software (Free Music App 軟件)	PRC	2019SR0254526	NewBornTown Network Technology	15/03/2019
22	Solo Security Software (Solo Security 軟件)	PRC	2019SR0254520	NewBornTown Network Technology	15/03/2019
23	SoloMath logo	PRC	2019F00748941	NewBornTown Network Technology	18/03/2019
24	Solo X PMD System Software (Solo X PMD 系統)	PRC	2019SR0260183	NewBornTown Network Technology	19/03/2019
25	Chest Max Software (Chest Max 軟件)	PRC	2019SR0260165	NewBornTown Network Technology	19/03/2019
26	Female Flat Stomach Workout Software (Female Flat Stomach Workout 軟件)	PRC	2019SR0263010	NewBornTown Network Technology	19/03/2019
27	SoloMath AdExchange PSPM: Programmatic Ad Exchange Configuration Platform (SoloMath AdExchange PSPM 程 序化廣告交易配置平 臺)	PRC	2019SR0262337	NewBornTown Network Technology	19/03/2019
28	SoloMath AdExchange: Programmatic Ad Exchange Platform (SoloMath AdExchange 程序化廣 告交易平臺)	PRC	2019SR0262336	NewBornTown Network Technology	19/03/2019
29	SoloMath For Publisher PSPM: Online Advertising Data Analysis & Monitoring Platform (SoloMath For Publisher PSPM在 綫廣告投放數據分析& 監控平臺)	PRC	2019SR0259857	NewBornTown Network Technology	19/03/2019

No.	Name of Copyright	Place of Registration	Registration Number	Registered Owner	Date of Registration (dd/mm/yyyy)
30	SoloMath Performance: Performance Advertising Platform (SoloMath Performance 效果類廣告平臺)	PRC	2019SR0262127	NewBornTown Network Technology	19/03/2019
31	Beetles.io (蟲蟲大作戰軟件)	PRC	2019SR0318191	NewBornTown Network Technology	10/04/2019
32	Car Bumper. io (極道車神軟件)	PRC	2019SR0318183	NewBornTown Network Technology	10/04/2019
33	Tank Heroes Software (Tank Heroes坦克英雄軟件)	PRC	2019SR0327232	NewBornTown Network Technology	12/04/2019
34	One-click Speed Cleaner Software (一鍵極速清理軟件)	PRC	2019SR0409969	NewBornTown Network Technology	29/04/2019
35	One-click Cleaner Master Software (一鍵清理管家軟件)	PRC	2019SR0410083	NewBornTown Network Technology	29/04/2019
36	Cool Dialer Show Software (酷炫來電秀軟件)	PRC	2019SR0410077	NewBornTown Network Technology	29/04/2019
37	Scratch Card Earning Software (刮刮賺軟件)	PRC	2019SR0410042	NewBornTown Network Technology	29/04/2019
38	Dialer Personalisation Master (來電美化大師軟件)	PRC	2019SR0410038	NewBornTown Network Technology	29/04/2019
39	Security Warrior (安全勇士軟件)	PRC	2019SR0409976	NewBornTown Network Technology	29/04/2019
40	365 Security Software (365 安全衛士軟件)	PRC	2019SR0421203	NewBornTown Network Technology	05/05/2019
41	SoloMath Performance PSPM: Offline Ad Serving Analytics Configuration Platform (SoloMath Performance PSPM 離線廣告投放分析配置平臺)	PRC	2019SR0257150	Shandong NewBornTown	18/03/2019

No.	Name of Copyright	Place of Registration	Registration Number	Registered Owner	Date of Registration (dd/mm/yyyy)
42	SoloMath For Publisher: Direct Media Aggregation Platform (SoloMath For Publisher 直接媒體聚合平臺)	PRC	2019SR0260157	Shandong NewBornTown	19/03/2019
43	Magic Android Desktop Software (魔術安卓桌面美化軟件)	PRC	2019SR0327681	Shandong NewBornTown	12/04/2019
44	Dou Dialer Software (抖來電軟件)	PRC	2019SR0327403	Shandong NewBornTown	12/04/2019
45	Security and Cleaner Master (殺毒清理大師軟件)	PRC	2019SR0327294	Shandong NewBornTown	12/04/2019
46	Booster and Cleaner Master (加速清理大師軟件)	PRC	2019SR0343337	Shandong NewBornTown	17/04/2019
47	365 Cleanup Guardian Software (365清理衛士軟件)	PRC	2019SR0517875	NewBornTown Network Technology	24/05/2019
48	Super Clean Master Software (超級清理大師軟件)	PRC	2019SR0517881	NewBornTown Network Technology	24/05/2019
49	Overall Clean Master (全面清理大師軟件)	PRC	2019SR0517183	NewBornTown Network Technology	24/05/2019
50	Mobile Cleanup Guardian Software (手機清理衛士軟件)	PRC	2019SR0516759	NewBornTown Network Technology	24/05/2019
51	Table Tennis (桌球大作戰軟件)	PRC	2019SR0517871	NewBornTown Network Technology	24/05/2019
52	More Fun Software (趣多多軟件)	PRC	2019SR0547654	NewBornTown Network Technology	30/05/2019
53	Deep Cleaning Master Software (深度清理大師軟件)	PRC	2019SR0653281	NewBornTown Network Technology	25/06/2019
54	Accelerating Cleaning Guardian Software (加速清理衛士軟件)	PRC	2019SR0648637	NewBornTown Network Technology	24/06/2019
55	Instant Cleaner Software (即刻清理軟件)	PRC	2019SR0741036	NewBornTown Network Technology	17/07/2019
56	Speedy Booster Software (秒加速軟件)	PRC	2019SR0742157	NewBornTown Network Technology	17/07/2019

No.	Name of Copyright	Place of Registration	Registration Number	Registered Owner	Date of Registration (dd/mm/yyyy)
57	One-click Cleaner Master Speedy Version Software (一鍵清理管家極速版軟件)	PRC	2019SR0743520	NewBornTown Network Technology	18/07/2019
58	Android Booster Master Software (安卓加速大師軟件)	PRC	2019SR0743243	NewBornTown Network Technology	18/07/2019
59	Tank Heroes – Bobcat -C12 (坦克英雄(TankHeroes) – Bobcat-C12)	PRC	2019F00869565	NewBornTown NetWork Technology	27/08/2019
60	Tank Heroes – Cobra-X8 (坦克英雄(TankHeroes) – Cobra-X8)	PRC	2019F00869566	NewBornTown NetWork Technology	27/08/2019
61	Tank Heroes – Mole-B9 (坦克英雄(TankHeroes) – Mole-B9)	PRC	2019F00869564	NewBornTown NetWork Technology	27/08/2019
62	Tank Heroes – Iron-E7 (坦克英雄(TankHeroes) – Iron-E7)	PRC	2019F00875190	NewBornTown NetWork Technology	28/08/2019
63	Tank Heroes – Sniper-F2 (坦克英雄(TankHeroes) – Sniper-F2)	PRC	2019F00869560	NewBornTown NetWork Technology	27/08/2019
64	Tank Heroes – Samurai-N5 (坦克英雄(TankHeroes) – Samurai-N5)	PRC	2019F00869561	NewBornTown NetWork Technology	27/08/2019
65	Future Face Android Ageing Camera Software (Future Face 安卓變老相機軟件)	PRC	2019SR1000506	NewBornTown NetWork Technology	26/09/2019
66	Archery Master Software (箭術大師軟件)	PRC	2019SR0999148	NewBornTown NetWork Technology	26/09/2019
67	Fun Walking Software (趣行走軟件)	PRC	2019SR1034025	NewBornTown NetWork Technology	12/10/2019
68	Free Music Plus	United States	TXu 2-111-406	NewBornTown Network Technology	09/08/2018
69	ABS Workout-Female Fitness	United States	TXu 2-116-055	NewBornTown Network Technology	04/12/2018
70	Butt Workout At Home-Female Fitness	United States	TXu 2-116-053	NewBornTown Network Technology	04/12/2018
71	Weight Loss Coach-Lose Weight Fitness & Workout	United States	TXu 2-116-050	NewBornTown Network Technology	04/12/2018

<u>No.</u>	<u>Name of Copyright</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Registered Owner</u>	<u>Date of Registration (dd/mm/yyyy)</u>
72	Home Workout-ABS&Butt Workout	United States	TXu 2-116-730	NewBornTown Network Technology	09/08/2018
73	Fitness figure-Female	United States	VAu 1-347-309	NewBornTown Network Technology	09/08/2018
74	Fitness figure-Male	United States	VAu 1-347-308	NewBornTown Network Technology	09/08/2018
75	Free Music Player Plus	United States	TXu 2-143-246	NewBornTown Network Technology	09/08/2018

3. Domain Names

As at the Latest Practicable Date, we had registered the following domain names which we consider to be material to our business:

<u>No.</u>	<u>Domain Name</u>	<u>Registered Owner</u>	<u>Date of Registration (dd/mm/yyyy)</u>
1	chizicheng.com	NewBornTown Network Technology	02/12/2010
2	chizicheng.net	NewBornTown Mobile Technology	19/09/2018
3	newborntown.com	NewBornTown Network Technology	12/08/2014
4	newborn-town.com	NewBornTown Network Technology	29/10/2011
5	diylocker.com	NewBornTown Network Technology	14/04/2015
6	ping-start.com	NewBornTown Network Technology	31/08/2015
7	solo-launcher.com	NewBornTown Network Technology	12/08/2014
8	51themes.com	NewBornTown Network Technology	13/02/2014

4. Patents

As at the Latest Practicable Date, we had registered the following patents in the PRC that are material to our business:

No.	Patent Name	Patent Number	Registered Owner	Date of Publication (dd/mm/yyyy)	Date of Expiration (dd/mm/yyyy)
1	Mobile phone with graphical UI (帶圖形用戶界面的手機)	ZL 2015 3 0228694.X	NewBornTown Network Technology	09/12/2015	30/06/2025
2	Mobile phone with operating system (帶操作系統界面的手機)	ZL 2015 3 0225824.4	NewBornTown Network Technology	02/12/2015	29/06/2025
3	Mobile phone with graphical UI (cleanup) (帶圖形用戶界面的手機(清理))	ZL 2015 3 0334678.9	NewBornTown Network Technology	30/12/2015	31/08/2025
4	Mobile phone with graphical UI (shortcut switch) (帶圖形用戶界面的手機(快捷開關))	ZL 2015 3 0436105.7	NewBornTown Network Technology	30/03/2016	03/11/2025

As at the Latest Practicable Date, we had applied for the registration of the following patents in the PRC which we consider to be material to our business:

No.	Patent	Patent Category	Applicant	Application Number	Date of Application (dd/mm/yyyy)
1	Application pushing method and device (應用程序的推送方法及裝置)	Invention	NewBornTown Network Technology	2015103453987	19/06/2015
2	Memory cleaning method and device (內存清理方法及裝置)	Invention	NewBornTown Network Technology	2015104304867	21/07/2015
3	Unread Message Counting Method And Device (未讀消息計數方法及裝置)	Invention	NewBornTown Network Technology	201510846906X	26/11/2015

No.	Patent	Patent Category	Applicant	Application Number	Date of Application (dd/mm/yyyy)
4	Individual Recommendation Method And Device Based On Scene Data (基於場景化數據的個性化推薦方法及裝置)	Invention	NewBornTown Network Technology	2015106576688	13/10/2015
5	Index Drawer Device And Indexing Method (一種索引抽屜裝置及索引方法)	Invention	NewBornTown Network Technology	2016102169193	08/04/2016
6	Unlocking Method And Device (解鎖方法及裝置)	Invention	NewBornTown Network Technology	2016101284635	07/03/2016
7	Method And System For Tracking And Recognising Network Advertisement Transmission Data (一種追蹤及識別網絡廣告傳輸數據的方法及系統)	Invention	NewBornTown Network Technology	2017104583099	16/06/2017
8	Traffic optimisation method and system for advertising platform (用於廣告投放平臺的流量優化方法及系統)	Invention	NewBornTown Network Technology	2018102264021	19/03/2018

D. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT, STAFF, SUBSTANTIAL SHAREHOLDER AND EXPERTS**1. Particulars of Directors' service contracts and letters of appointment**

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years. Either party has the right to give not less than three months' written notice to terminate the agreement. Details of the Company's remuneration policy is described in section headed "Directors and Senior Management – Directors' and Senior Management's Remuneration" in this prospectus.

Each of our independent non-executive Directors has entered into an appointment letter with our Company. The term of office of our independent non-executive Directors is three years.

2. Remuneration of Directors

- (a) In 2016, 2017, 2018 and the six months ended 30 June 2019, the total remuneration paid to the Directors was RMB0.77 million, RMB1.71 million, RMB1.63 million and RMB0.78 million, respectively.
- (b) Under our arrangements currently in force, the total remuneration payable to the Directors in 2019 is estimated to be RMB1.56 million.
- (c) Save as disclosed in this prospectus, none of our Directors has or is proposed to have a service contract with the Company or any other member of the Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of interests**(a) *Interests of the Directors and chief executives of our Company***

Immediately following completion of the Capitalisation Issue and the Global Offering, taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the interests or short positions of our Directors and our chief executives in the shares, underlying Shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be 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, will be as follows:

(i) *Interest in the Shares*

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number of Shares held after the Capitalisation Issue and the Global Offering⁽¹⁾</u>	<u>Approximate percentage of interest in our Company immediately after the Capitalisation Issue and the Global Offering⁽²⁾</u>
Mr. Liu Chunhe ^{(3), (6)}	Interest in a controlled corporation	233,806,646	23.38%
Mr. Li Ping ^{(4), (6)}	Interest in a controlled corporation	73,121,774	7.31%
Mr. Wang Kui ⁽⁵⁾	Interest in a controlled corporation	22,864,176	2.29%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 1,000,000,000 Shares in issue immediately after the completion of the Global Offering.
- (3) The Shares are registered under the name of Spriver Tech Limited, the issued share capital of which is owned as to 100% by Mr. Liu Chunhe. Accordingly, Mr. Liu Chunhe is deemed to be interested in all the Shares held by Spriver Tech Limited for the purpose of Part XV of the SFO.
- (4) The Shares are registered under the name of Parallel World Limited, the issued share capital of which is owned as to 100% by Mr. Li Ping. Accordingly, Mr. Li Ping is deemed to be interested in all the Shares held by Parallel World Limited for the purpose of Part XV of the SFO.
- (5) The Shares are registered under the name of Gingko Kik Limited, the issued share capital of which is owned as to 100% by Mr. Wang Kui. Accordingly, Mr. Wang Kui is deemed to be interested in all the Shares held by Gingko Kik Limited for the purpose of Part XV of the SFO.
- (6) Mr. Liu Chunhe and Mr. Li Ping are parties acting in concert (having the meaning ascribed thereto in the Takeovers Code) and form part of the Controlling Shareholders Group.

(b) *Interests of the Substantial Shareholders*

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors are not aware of any other person who will, immediately following the completion of the Capitalisation Issue and the Global Offering, have an interest or short position in the Shares or the underlying Shares which are required 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 directly or indirectly, be interested in 10% of more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

4. Agent fees or commissions received

Save in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the section headed “– F. Other Information – 7. Qualification of experts” in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of our Company or any member of our Group within the two years preceding the date of this prospectus.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation) between the Directors and any member of the Group;
- (b) none of the Directors or the experts named in the section headed “– F. Other Information – 8. Consents of experts” has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this prospectus;
- (d) none of the Directors or the experts named in the section headed “– F. Other Information – 8. Consents of experts” is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (e) neither our Controlling Shareholders Group nor our Directors are interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group;
- (f) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of our Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned;

- (g) none of our Directors or their close associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group;
- (h) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall 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 is, directly or indirectly, interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of our Group; and
- (i) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the 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 entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

E. RSU SCHEMES

Set forth below is a summary of the principal terms of the Employee RSU Scheme and the Management RSU Scheme (collectively, the “**RSU Schemes**”) of our Company.

1. Employee RSU Scheme

The following is a summary of the principal terms of the Employee RSU Scheme approved and adopted by the Board on 11 December 2019. The Employee RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Employee RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares.

(a) Purposes of the Employee RSU Scheme

The purpose of the Employee RSU Scheme is to incentivize employees and consultants (not being core connected persons of the Company under Listing Rules) of the Group, provided that they are not core connected persons of the Company, for their contribution to the Group, and to attract and retain skilled and experienced personnel for the future growth of the Group by providing them with the opportunity to own equity interests in the Company.

(b) Administration of the Employee RSU Scheme

The Employee RSU Scheme shall be subject to the administration of the Board in accordance with the rules of the Employee RSU Scheme. The Board may delegate the authority to administer the Employee RSU Scheme to a committee of the Board, and if no such committee is appointed, it shall mean the Board (the “**Employee RSU Administrator**”). The Employee RSU Administrator may also appoint one or more persons to assist in the administration of the Employee RSU Scheme as the Employee RSU Administrator thinks fit.

The Employee RSU Administrator’s determinations under the Employee RSU 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.

Each participant in the Employee RSU Scheme (the “**Employee 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 the Employee RSU Administrator’s administration of the Employee RSU Scheme. A decision taken by the Employee RSU Administrator as regards the eligibility of a person will be final and binding.

The Employee RSU Trustee shall not exercise the voting rights in respect of any underlying Shares held under the Employee RSU Scheme and shall abstain from voting on resolutions of the general meetings of the Company until the underlying Shares are transferred to the relevant Employee RSU Participants upon their exercise.

(c) RSUs

An RSU gives an Employee RSU Participant a conditional right when the RSU vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the RSUs, less any tax, stamp duty and other charges applicable, as determined by the Employee RSU Administrator in its absolute discretion. An RSU may include, where applicable, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares, as determined by the Employee RSU Administrator in its absolute discretion.

(d) Participants in the Employee RSU Scheme

Persons eligible to receive RSUs under the Employee RSU Scheme (“**Employee RSU Eligible Persons**”) include existing employees and consultants (not being core connected persons of the Company under Listing Rules) of the Company or any of their subsidiaries, excluding any person who is a director, member of senior management, core connected persons of the Company or who is resident in a place where the award of the Shares and/or the vesting of the transfer of the Shares pursuant to the Employee RSU

Scheme is not permitted under the laws and regulations of such place or where in the view of the Employee RSU Administrator or the Employee RSU Trustee as the case may be, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such person. Consultants refers to any person that provides research, development, consultancy and other technical or operational support to the Group and have contributed or will contribute to the Group. The Employee RSU Administrator selects the Employee RSU Eligible Persons to receive RSUs under the Employee RSU Scheme at its discretion.

(e) Term of the Employee RSU Scheme

The Employee RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the date of the adoption of the Employment RSU Scheme (unless it is terminated earlier in accordance with its terms) (the “**Employee RSU Scheme Period**”).

(f) Grant and acceptance

(i) Making an offer

The Shares underlying RSUs will be granted based on the contribution of the Employee RSU Participants to the Group and the overall business performance of the Group. An offer to grant RSUs will be made to an Employee RSU Eligible Person selected by the Employee RSU Administrator (“**Employee RSU Selected Person**”) by a letter (“**Employee RSU Grant Letter**”). The Employee RSU Grant Letter shall specify the Employee 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 and such other details as the Employee RSU Administrator considers necessary.

(ii) Acceptance of an offer

An Employee RSU Selected Person may accept an offer of the grant of RSUs in such manner as set out in the Employee RSU Grant Letter. Once accepted, the RSUs are deemed granted from the date of the Employee RSU Grant Letter (“**Employee RSU Grant Date**”).

(g) Maximum number of Shares pursuant to RSUs

Unless otherwise approved by our Shareholders, the total number of Shares underlying RSUs (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the Employee RSU Scheme) under the Employee RSU Scheme shall not exceed 32,540,356 Shares (after taking into consideration of adjustment pursuant to the

Capitalisation Issue), representing approximately 3.25% of the issued share capital of our Company immediately upon completion of the Capitalisation Issue and Global Offering, assuming the Over-allotment Option is not exercised.

(h) Rights attached to RSUs

An Employee RSU Participant will have no voting rights in respect of the Shares underlying the RSUs prior to their exercise and unless otherwise specified in the Employee RSU Grant Letter addressed to the Employee RSU Participant. For the avoidance of doubt, starting from the date of grant, the Employee RSU Participant is entitled to the cash or non-cash income, dividends or distributions and/or sale proceeds of the non-cash and non-scrip distributions of the Shares underlying the RSUs; all of the cash or non-cash income, dividends or distributions and/or sale proceeds of the non-cash and non-scrip distributions of the Shares underlying the RSUs will be transferred to the Employee RSU Participant upon vesting of the Shares in accordance with the Employee RSU Scheme.

(i) Rights attached to Shares

Any Shares transferred to an Employee RSU Participant in respect of any RSUs will be subject to all the provisions of the Articles of Association 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 the Company is closed, the first day of the reopening of the register of members.

(j) Assignment of RSUs

The RSUs granted pursuant to the Employee RSU Scheme are personal to each Employee RSU Participant, and are in no way assignable or capable of being assigned. Employee RSU Participants are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favour of any third person over or in relation to any property held by the Employee RSU Trustee on trust for the Employee RSU Participants, the RSUs, or any interest or benefits therein, including but not limited to any related income referable to the Shares underlying the RSUs.

(k) Vesting of RSUs

The Employee RSU Administrator 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 Employee RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Employee RSU Administrator will send a vesting notice (“**Employee RSU Vesting Notice**”) to each of the relevant Employee RSU Participants. The Employee RSU 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.

(l) Appointment of the Employee RSU Trustee

The Company has appointed TMF Trust (HK) Limited as the Employee RSU Trustee to assist with the administration and vesting of RSUs granted pursuant to the Employee RSU Scheme. The Company may allot and issue Shares to the Employee RSU Trustee to be held by the Employee RSU Trustee and which will be used to satisfy the RSUs upon exercise. All the Shares underlying the RSUs granted and to be granted under the Employee RSU Scheme shall be transferred, allotted and issued to the Employee RSU Trustee. Upon the completion of the Global Offering, Three D Partners Limited (a wholly-owned subsidiary of the Employee RSU Trustee) holds 32,540,356 Shares (after taking into consideration of adjustment pursuant to the Capitalisation Issue), underlying the RSUs for the benefit of eligible participants pursuant to the Employee RSU Scheme.

(m) Exercise of RSUs

RSUs held by an Employee RSU Participant that are vested as evidenced by the Employee RSU Vesting Notice may be exercised (in whole or in part) by the Employee RSU Participant serving an exercise notice in writing on the Employee RSU Trustee and the Company. Any exercise of RSUs must be in respect of a board lot or an integral number thereof (except where the number of RSUs which remains unexercised is less than one board lot). Upon receipt of an exercise notice, except as otherwise provided by the Board, the Employee RSU Administrator may decide to:

- (a) direct and procure the Employee RSU Trustee to, within a reasonable time, transfer the Shares underlying the RSUs exercised (and, where 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 Employee RSU Participant which the Company has allotted and issued to the Employee RSU Trustee as fully paid up Shares or which the Employee RSU Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder, subject to the Employee RSU Participant paying all tax, stamp duty, levies and charges applicable to such transfer to the Employee RSU Trustee or as the Employee RSU Trustee directs; or
- (b) pay, or direct and procure the Employee RSU Trustee to, within a reasonable time, pay, to the Employee RSU Participant in cash an amount which represents the market value of the Shares underlying the RSUs exercised on or about the date of exercise (and, where 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) after deduction of any tax, levies, stamp duty and other charges applicable to the sale of any Shares to fund such payment and in relation thereto.

(n) Forfeiture provisions

In any of the following circumstances, any unvested portions of the RSUs granted to the Employee RSU Participant will automatically lapse immediately, while the vested portions of the RSUs granted to the Employee RSU Participant (including the portion of the RSUs that has been settled in Shares, if any) may be retained by the relevant Employee RSU Participant or repurchased by the Employee RSU Trustee, with the Employee RSU Administrator to determine whether to repurchase and the price of repurchase according to the specific situations:

- (a) an Employee RSU Participant's employment or service terminates in circumstances where (i) the employment or service is voluntarily terminated by the Employee RSU Participant, (ii) the employment or service is terminated solely due to the incompetence of the Employee RSU Participant, or (iii) the company employing the Employee RSU Participant ceases to be one of the subsidiaries of the Company,
- (b) serious disease, disability or death of the Employee RSU Participant, or
- (c) any other incident occurs as the Employee RSU Administrator may at its discretion specify.

In any of the following circumstances, all vested and unvested RSUs shall automatically lapse, and the Employee RSU Trustee shall repurchase all the vested portions of the RSUs (including the portion of the RSUs that has been settled in Shares, if any) granted to the Employee RSU Participant at nil consideration or the lowest price as prescribed by applicable laws:

- (a) the Employee RSU Participant is in serious breach of his contract of employment with or any other employee policies or obligation to the Group;
- (b) the Employee RSU Participant is prosecuted for any criminal liabilities;
- (c) the Employee RSU Participant causes damages to the Group, including material malfeasance and breach of any non-competition and confidentiality obligations; and/or
- (d) the Employee RSU Participant is involved in any incident or is the cause of any other incident that may be harmful to our Group's interest as determined by the Employee RSU Administrator at its discretion.

At the absolute discretion of the Employee RSU Administrator, the Employee RSU Administrator may cancel any RSU that has not vested or has lapsed as contemplated by these Rules, provided that:

- (a) the Company or its subsidiaries (where applicable) pay to the participant amount equal to the fair value of the RSU at the date of the cancellation as determined by the Employee RSU Administrator, after consultation with the auditors or an independent financial adviser appointed by the Employee RSU Administrator;
- (b) the Company or its relevant subsidiary (where applicable) provides to the Employee 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 cancelled; or
- (c) the Employee RSU Administrator makes an arrangement as the Employee RSU Participant may agree in order to compensate him for the cancellation of the RSUs.

(o) Amendment and termination of the Employee RSU Scheme

The terms of the Employee RSU Scheme may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not affect any subsisting rights of any Employee RSU Participants thereunder. Any alteration, amendment or waiver to the Employee RSU Scheme of a material nature shall be approved by our Shareholders. The Board shall have the right to determine whether any proposed alteration, amendment or waiver is material and such determination shall be conclusive.

The Board may terminate the Employee RSU Scheme at any time before the expiry of the Employee RSU Scheme Period by deed. The provisions of the Employee RSU Scheme shall remain in full force and effect in respect of RSUs which are granted pursuant to the rules of the Employee RSU Scheme prior to the termination of the operation of the Employee RSU Scheme. Upon termination, the Board shall give notice to the Employee RSU Trustee and the Employee RSU Participants of such termination notice shall provide the Employee RSU Trustee with directions as to how the Board wishes the Employee RSU Trustee should deal with any property held by the Employee RSU Trustee for the Employee RSU Participants (including but not limited to the Shares) and the how the outstanding RSUs ought to be dealt with.

(p) General

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, new Shares underlying the RSUs that have been issued pursuant to the Employee RSU Scheme.

No RSUs will be granted by our Company pursuant to the Employee RSU Scheme before the Listing or within the three months immediately following the completion of Global Offering.

2. Management RSU Scheme

The following is a summary of the principal terms of the Management RSU Scheme approved and adopted by the Board on 11 December 2019. The Management RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Management RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares.

(a) Purposes of the Management RSU Scheme

The purpose of the Management RSU Scheme is to incentivize directors, senior management and officers for their contribution to the Group, and to attract and retain skilled and experienced personnel for the future growth of the Group by providing them with the opportunity to own equity interests in the Company.

(b) Administration of the Management RSU Scheme

The Management RSU Scheme shall be subject to the administration of the Board in accordance with the rules of the Management RSU Scheme. The Board may delegate the authority to administer the Management RSU Scheme to a committee of the Board, and if no such committee is appointed, it shall mean the Board (the “**Management RSU Administrator**”). The Management RSU Administrator may also appoint one or more persons to assist in the administration of the Management RSU Scheme as the Management RSU Administrator thinks fit.

The Management RSU Administrator’s determinations under the Management RSU 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.

Each participant in the Management RSU Scheme (the “**Management 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 the Management RSU Administrator’s administration of the Management RSU Scheme. A decision taken by the Management RSU Administrator as regards the eligibility of a person will be final and binding.

The Management RSU Trustee shall not exercise the voting rights in respect of any underlying Shares held under the Management RSU Scheme and shall abstain from voting on resolutions of the general meetings of the Company until the underlying Shares are transferred to the relevant Management RSU Participants upon their exercise.

(c) *RSUs*

An RSU gives a Management RSU Participant a conditional right when the RSU vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the RSUs, less any tax, stamp duty and other charges applicable, as determined by the Management RSU Administrator in its absolute discretion. An RSU may include, where applicable, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares, as determined by the Management RSU Administrator in its absolute discretion.

(d) *Participants in the Management RSU Scheme*

Persons eligible to receive RSUs under the Management RSU Scheme (“**Management RSU Eligible Persons**”) include senior management, directors (whether executive or non-executive, but excluding independent non-executive directors) and officers of the Company or any of their subsidiaries, excluding any person who is resident in a place where the award of the Shares and/or the vesting of the transfer of the Shares pursuant to the Management RSU Scheme is not permitted under the laws and regulations of such place or where in the view of the Management RSU Administrator or the Management RSU Trustee as the case may be, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such person. The Management RSU Administrator selects the Management RSU Eligible Persons to receive RSUs under the Management RSU Scheme at its discretion.

(e) *Term of the Management RSU Scheme*

The Management RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the date of the adoption of the Management RSU Scheme (unless it is terminated earlier in accordance with its terms) (the “**Management RSU Scheme Period**”).

(f) *Grant and acceptance*

(i) *Making an offer*

The Shares underlying RSUs will be granted based on the contribution of the Management RSU Participants to the Group and the overall business performance of the Group. An offer to grant RSUs will be made to a Management RSU Eligible Person selected by the Management RSU Administrator (“**Management RSU Selected Person**”) by a letter (“**Management RSU Grant Letter**”). The Management RSU Grant Letter shall specify the 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 and such other details as the Management RSU Administrator considers necessary.

(ii) Acceptance of an offer

A Management RSU Selected Person may accept an offer of the grant of RSUs in such manner as set out in the Management RSU Grant Letter. Once accepted, the RSUs are deemed granted from the date of the Management RSU Grant Letter (“**Management RSU Grant Date**”).

(g) Maximum number of Shares pursuant to RSUs

Unless otherwise approved by our Shareholders, the total number of Shares underlying RSUs (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the Management RSU Scheme) under the Management RSU Scheme shall not exceed 27,795,210 Shares (after taking into consideration of adjustment pursuant to the Capitalisation Issue), representing approximately 2.78% of the issued share capital of our Company immediately upon completion of the Capitalisation Issue and Global Offering, assuming the Over-allotment Option is not exercised.

(h) Rights attached to RSUs

A Management RSU Participant will have no voting rights in respect of the Shares underlying the RSUs prior to their exercise and unless otherwise specified in the Management RSU Grant Letter addressed to the Management RSU Participant. For the avoidance of doubt, starting from the date of grant, the Management RSU Participant is entitled to the cash or non-cash income, dividends or distributions and/or sale proceeds of the non-cash and non-scrip distributions of the Shares underlying the RSUs; all of the cash or non-cash income, dividends or distributions and/or sale proceeds of the non-cash and non-scrip distributions of the Shares underlying the RSUs will be transferred to the Management RSU Participant upon vesting of the Shares in accordance with the Management RSU Scheme.

(i) Rights attached to Shares

Any Shares transferred to a Management RSU Participant in respect of any RSUs will be subject to all the provisions of the Articles of Association 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 the Company is closed, the first day of the reopening of the register of members.

(j) Assignment of RSUs

The RSUs granted pursuant to the Management RSU Scheme are personal to each Management RSU Participant, and are in no way assignable or capable of being assigned. Management RSU Participants are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favour of any third person over or in relation to any property held by the Management RSU Trustee on trust for the Management RSU Participants, the RSUs, or any interest or benefits therein, including but not limited to any related income referable to the Shares underlying the RSUs.

(k) Vesting of RSUs

The Management RSU Administrator 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 Management RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Management RSU Administrator will send a vesting notice (“**Management RSU Vesting Notice**”) to each of the relevant Management RSU Participants. The Management RSU 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.

(l) Appointment of the Management RSU Trustee

The Company has appointed TMF Trust (HK) Limited as the Management RSU Trustee to assist with the administration and vesting of RSUs granted pursuant to the Management RSU Scheme. The Company may allot and issue Shares to the Management RSU Trustee to be held by the Management RSU Trustee and which will be used to satisfy the RSUs upon exercise. All the Shares underlying the RSUs granted and to be granted under the Management RSU Scheme shall be transferred, allotted and issued to the Management RSU Trustee. Upon the completion of the Global Offering, Bridge Partners Limited (a wholly-owned subsidiary of the Management RSU Trustee) holds 27,795,210 Shares (after taking into consideration of adjustment pursuant to the Capitalisation Issue) underlying the RSUs for the benefit of eligible participants pursuant to the Management RSU Scheme.

(m) Exercise of RSUs

RSUs held by a Management RSU Participant that are vested as evidenced by the Management RSU Vesting Notice may be exercised (in whole or in part) by the Management RSU Participant serving an exercise notice in writing on the Management RSU Trustee and the Company. Any exercise of RSUs must be in respect of a board lot or an integral number thereof (except where the number of RSUs which remains unexercised is less than one board lot). Upon receipt of an exercise notice, except as otherwise provided by the Board, the Management RSU Administrator may decide to:

- (a) direct and procure the Management RSU Trustee to, within a reasonable time, transfer the Shares underlying the RSUs exercised (and, where 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 Management RSU Participant which the Company has allotted and issued to the Management RSU Trustee as fully paid up Shares or which the Management RSU Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder, subject to the Management RSU Participant paying all tax, stamp duty, levies and charges applicable to such transfer to the Management RSU Trustee or as the Management RSU Trustee directs; or
- (b) pay, or direct and procure the Management RSU Trustee to, within a reasonable time, pay, to the Management RSU Participant in cash an amount which represents the market value of the Shares underlying the RSUs exercised on or about the date of exercise (and, where 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) after deduction of any tax, levies, stamp duty and other charges applicable to the sale of any Shares to fund such payment and in relation thereto.

(n) Forfeiture provisions

In any of the following circumstances, any unvested portions of the RSUs granted to the Management RSU Participant will automatically lapse immediately, while the vested portions of the RSUs granted to the Management RSU Participant (including the portion of the RSUs that has been settled in Shares, if any) may be retained by the relevant Management RSU Participant or repurchased by the Management RSU Trustee, with the Management RSU Administrator to determine whether to repurchase and the price of repurchase according to the specific situations:

- (a) a Management RSU Participant's employment or service terminates in circumstances where (i) the employment or service is voluntarily terminated by the Management RSU Participant, (ii) the employment or service is terminated

solely due to the incompetence of the Management RSU Participant, or (iii) the company employing the Management RSU Participant ceases to be one of the subsidiaries of the Company,

- (b) serious disease, disability or death of the Management RSU Participant, or
- (c) any other incident occurs as the Management RSU Administrator may at its discretion specify.

In any of the following circumstances, all vested and unvested RSUs shall automatically lapse, and the Management RSU Trustee shall repurchase all the vested portions of the RSUs (including the portion of the RSUs that has been settled in Shares, if any) granted to the Management RSU Participant at nil consideration or the lowest price as prescribed by applicable laws:

- (a) the Management RSU Participant is in serious breach of his contract of employment with or any other policies or obligation to the Group;
- (b) the Management RSU Participant is prosecuted for any criminal liabilities;
- (c) the Management RSU Participant causes damages to the Group, including material malfeasance and breach of any non-competition and confidentiality obligations; and/or
- (d) the Management RSU Participant is involved in any incident or is the cause of any other incident that may be harmful to our Group's interest as determined by the Management RSU Administrator at its discretion.

At the absolute discretion of the Management RSU Administrator, the Management RSU Administrator may cancel any RSU that has not vested or has lapsed as contemplated by these Rules, provided that:

- (a) the Company or its subsidiaries (where applicable) pay to the participant amount equal to the fair value of the RSU at the date of the cancellation as determined by the Management RSU Administrator, after consultation with the auditors or an independent financial adviser appointed by the Management RSU Administrator;
- (b) the Company or its relevant subsidiary (where applicable) provides to the Management 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 cancelled; or

- (c) the Management RSU Administrator makes an arrangement as the Management RSU Participant may agree in order to compensate him for the cancellation of the RSUs.

(o) Amendment and termination of the Management RSU Scheme

The terms of the Management RSU Scheme may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not affect any subsisting rights of any Management RSU Participants thereunder. Any alteration, amendment or waiver to the Management RSU Scheme of a material nature shall be approved by our Shareholders. The Board shall have the right to determine whether any proposed alteration, amendment or waiver is material and such determination shall be conclusive.

The Board may terminate the Management RSU Scheme at any time before the expiry of the Management RSU Scheme Period by deed. The provisions of the Management RSU Scheme shall remain in full force and effect in respect of RSUs which are granted pursuant to the rules of the Management RSU Scheme prior to the termination of the operation of the Management RSU Scheme. Upon termination, the Board shall give notice to the Management RSU Trustee and the Management RSU Participants of such termination notice shall provide the Management RSU Trustee with directions as to how the Board wishes the Management RSU Trustee should deal with any property held by the Management RSU Trustee for the Management RSU Participants (including but not limited to the Shares) and the how the outstanding RSUs ought to be dealt with.

(p) General

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, new Shares underlying the RSUs that have been issued pursuant to the Management RSU Scheme.

No RSUs will be granted by our Company pursuant to the Management RSU Scheme before the Listing or within the three months immediately following the completion of Global Offering.

F. OTHER INFORMATION**1. Deed of Indemnity**

Mr. Liu Chunhe and Mr. Li Ping (collectively, “Indemnifiers”) have entered into the Deed of Indemnity with and in favour of our Company for itself and as trustee for its subsidiaries, to provide indemnities in respect of, among other things:

- (a) certain estate duty which might be payable by any companies in our Group by virtue of or under the provisions of the Estate Duty Ordinance (Chapter 111 of Laws of Hong Kong); and
- (b) any liability of any or all of the members of our Group to any form of taxation and duty whenever created or imposed, whether of Hong Kong, the PRC or of any other part of the world, and without prejudice to the generality of the foregoing includes profits tax, provisional profits tax, business tax on gross income, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty, capital gains tax, death duty, capital duty, stamp duty, payroll tax, withholding tax, rates, import, customs and excise duties and generally any tax duty, impost, levy or rate or any amount payable to the revenue, customs or fiscal authorities of local, municipal, provincial, national, state or federal level whether of Hong Kong, the PRC or of any other part of the world falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event on transaction on or before Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The Deed of Indemnity does not cover any claim and the Indemnifiers shall be under no liability under this Deed of Indemnity in respect of above:

- (a) to the extent that provision or allowance has been made for such taxation in the consolidated financial statements of our Group as set out in Appendix I to this prospectus or in the audited accounts of the relevant members of our Group for the three years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 (the “Accounts”); or
- (b) for which any company of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 30 June 2019 up to and including the Listing Date or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation; or

- (c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Listing Date or to the extent such claim arises or is increased by an increase in the rates of taxation after the Listing Date with retrospective effect; or
- (d) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of the Indemnifiers (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

Under the Deed of Indemnity, the Indemnifiers have also undertaken to indemnify, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from the non-compliance as disclosed in the section headed “Business – Legal Proceedings and Compliance” in this prospectus.

Our Directors have been advised that no material liability is likely to fall on any member of our Group in the PRC.

2. Litigation

As of the Latest Practicable Date, we were involved in an arbitration with one of our customers, which was settled through the Mediation Order in August 2019. Details of the legal proceeding is described in section headed “Business – Legal Proceedings and Compliance” in this prospectus. No other litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and the permission to deal in, the Shares in issue and the Shares to be sold as mentioned in this prospectus. The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fees payable to the Sole Sponsor in respect of its services as sponsor for the Listing are approximately HK\$6 million and are payable by us.

4. Preliminary Expenses

The preliminary expenses of Company are estimated to be approximately US\$3,145 and have been paid by our Company.

5. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

6. Binding Effect

This prospectus shall have effect, if an application is made pursuant of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

7. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who gave opinions or advice which are contained in this prospectus:

Name	Qualifications
CMBC International Capital Limited	Licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
PricewaterhouseCoopers	Certified Public Accountants
Jingtian & Gongcheng	PRC Legal Adviser
Maples and Calder (Hong Kong) LLP	Cayman Legal Adviser
Potter Anderson & Corroon LLP	legal adviser to the Company as to the application of the laws of the State of Delaware to certain aspects of the Settlement Arrangements
Taylor English Duma LLP	legal adviser to the Company as to the application of the laws of the State of California to certain aspects of the Settlement Arrangements
Lex Advocatus LLC	legal adviser to the Company as to the application of Singapore laws to certain aspects of the Settlement Arrangements

<u>Name</u>	<u>Qualifications</u>
McCann FitzGerald	legal adviser to the Company as to the application of Irish laws to certain aspects of the Settlement Arrangements
Mr. Chan Chung	Barrister-at-law of Hong Kong, the Legal Counsel as to Hong Kong laws
Shanghai iResearch Co., Ltd.	Industry Consultant
Asia-Pacific Consulting and Appraisal Limited	Independent Valuer

8. Consent of Experts

Each of the experts as referred to in the section headed “– 7. Qualification of Experts” in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of experts named above has any shareholders’ interests in our Company or any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for interests in our Company or any member of our Group.

9. Promoters

We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

10. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2019 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

11. Miscellaneous

- (a) Save as disclosed in the section headed “History and Corporate Structure”, within the two years immediately preceding the date of this prospectus, neither our Company, nor any member of our Group has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash.

- (b) No share or loan capital of our Company, or any member of our Group is under option or is agreed conditionally or unconditionally to be put under option.
- (c) Within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to the Underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any member of our Group.
- (d) No founder, management or deferred shares of our Company or any member of our Group have been issued or agreed to be issued.
- (e) Our Company has no outstanding convertible debt securities or debentures.
- (f) There is no arrangement under which the future dividends are waived or to be waived.
- (g) Our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus.
- (h) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

12. Particulars of the Over-allotment Option Grantor

The particulars of the Over-allotment Option Grantor are as follows.

Name:	Pixel Perfect Tech Limited
Description:	Pixel Perfect Tech Limited was incorporated in the BVI with limited liability on 22 August 2018
Registered Address:	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
Maximum number of Shares which the Over-allotment Option Grantor may be required to sell pursuant to the exercise of the Over-allotment Option:	20,400,000

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Statutory and General Information – F. Other Information – 8. Consents of experts” in Appendix IV to this prospectus;
- (c) copies of the material contracts referred to in the section headed “Statutory and General Information – A. Further Information about Our Group – 6. Summary of material contracts” in Appendix IV to this prospectus; and
- (d) the statement of particulars of the Over-allotment Option Grantor.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Herbert Smith Freehills at 23rd Floor Gloucester Tower, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles of Association;
- (b) the Accountant’s Report and the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which are set out in Appendix I and Appendix II to this prospectus;
- (c) the audited consolidated financial statements of our Group for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019;
- (d) the Cayman Companies Law;
- (e) the material contracts referred to in the section headed “Statutory and General Information – A. Further Information about Our Group – 6. Summary of material contracts” in Appendix IV to this prospectus;
- (f) the service contracts and letters of appointment with Directors, referred to in the section headed “Statutory and General Information – D. Further Information about Our Directors, Management, Staff, Substantial Shareholder and Experts – 1. Particulars of Directors’ service contracts and letters of appointment” in Appendix IV to this prospectus;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

- (g) the written consents referred to in the section headed “Statutory and General Information – F. Other Information – 8. Consents of experts” in Appendix IV to this prospectus;
- (h) the legal opinions dated this prospectus date prepared by PRC Legal Adviser, in respect of certain aspects of our Group;
- (i) the legal opinions dated 27 June 2019 prepared by Mr. Chan Chung, the Legal Counsel of the Company, in respect of certain aspects of our Group;
- (j) the legal opinion dated 29 August 2019 prepared by PRC Legal Adviser to certain aspects of the Settlement Arrangements;
- (k) the legal opinion dated 26 August 2019 prepared by Potter Anderson & Corroon LLP, the Company’s legal adviser as the application of the laws of the State of Delaware to certain aspects of the Settlement Arrangements;
- (l) the legal opinion dated 29 August 2019 prepared by Taylor English Duma LLP, the Company’s legal adviser as the application of the laws of the State of California to certain aspects of the Settlement Arrangements;
- (m) the legal opinion dated 23 August 2019 prepared by Lex Advocatus LLC, the Company’s legal adviser as the application of the laws of Singapore to certain aspects of the Settlement Arrangements;
- (n) the legal opinion dated 22 August 2019 prepared by McCann FitzGerald, the Company’s legal adviser as to the application of the laws of Ireland, to certain aspects of the Settlement Arrangement;
- (o) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal adviser on Cayman Islands Law, summarising certain aspects of the Cayman Companies Law referred to in Appendix III to this prospectus;
- (p) the industry report issued by iResearch, the summary of which is set forth in the section headed “Industry Overview” to this prospectus;
- (q) the valuation opinion issued by Asia-Pacific Consulting and Appraisal Limited, in respect of our investment in Mico;
- (r) the rules of the Employee RSU Scheme;
- (s) the rules of the Management RSU Scheme; and
- (t) the statement of particulars of the Over-allotment Option Grantor.



Newborn Town Inc.