

Duiba Group

兑吧集团有限公司

Duiba Group Limited

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Stock Code: 1753



Joint Sponsors and Joint Global Coordinators



Joint Bookrunners and Joint Lead Managers



IMPORTANT

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

Duiba Group

DUIBA GROUP LIMITED

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(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 111,111,200 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 11,111,200 Shares (subject to adjustment)
Number of International Offer Shares	: 100,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$8.10 per Share plus brokerage of 1%, SFC transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application, subject to refund)
Nominal value	: US\$0.00001 per Share
Stock code	: 1753

Joint Sponsors and Joint Global Coordinators



Joint Bookrunners and Joint Lead Managers



BOC INTERNATIONAL



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 the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix V to 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. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement among the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, April 29, 2019 and, in any event, not later than Sunday, May 5, 2019. The Offer Price will not be more than HK\$8.10 and is currently expected to be not less than HK\$6.00. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$8.10 for each Share together with a brokerage of 1%, the SFC transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$8.10 per Offer Share.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) with our consent, may reduce the number of Offer Shares and/or the indicative offer price range below that stated in this prospectus (which is HK\$6.00 to HK\$8.10 per Offer Share) 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 Offer Shares and/or the indicative offer price range will be posted on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at <http://www.duiba.cn> not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares". If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Sunday, May 5, 2019, the Global Offering will not become unconditional and will lapse immediately.

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 "Risk Factors". The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. on Tuesday, May 7, 2019. Such grounds are set out in "Underwriting". It is important that you refer to that section for further details.

Our Company has not been and will not be registered under the U.S. Investment Company Act. The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged or transferred within the United States or to U.S. Persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are only being offered and sold (i) to persons within the United States or to U.S. Persons, in each case, who are both Qualified Institutional Buyers and Qualified Purchasers, pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act; and (ii) outside the United States to persons that are not, and are not acting for the account or benefit of, U.S. Persons in offshore transactions in reliance on Regulation S. Prospective investors are hereby notified that sellers of the Offer Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A and the exclusion from the registration requirements of the U.S. Investment Company Act provided by Section 3(c)(7) thereof.

April 24, 2019

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be posted on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company's website at www.duiba.cn.

Latest time to complete electronic applications under
White Form eIPO service through the designated
website at www.eipo.com.hk⁽²⁾ 11:30 a.m. on Monday, April 29, 2019

Application lists open⁽³⁾ 11:45 a.m. on Monday, April 29, 2019

Latest time to (a) lodge **WHITE** and **YELLOW**
Application Forms, (b) complete payment for
White Form eIPO applications by effecting
internet banking transfers or PPS payment
transfers and (c) give **electronic application**
instructions to HKSCC⁽⁴⁾ 12:00 noon on Monday, April 29, 2019

Application lists close 12:00 noon on Monday, April 29, 2019

Expected Price Determination Date⁽⁵⁾ Monday, April 29, 2019

Announcement of:

- the Offer Price
- the level of indications of interest in the International Offering
- the level of applications in the Hong Kong Public Offering
- the basis of allocation under the Hong Kong Public Offering

to be posted on the website of the Hong Kong Stock
Exchange at www.hkexnews.hk and our Company's
website at <http://www.duiba.cn> on or before Monday, May 6, 2019

Announcement of 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. (See "How
to Apply for Hong Kong Offer Shares—Publication of
results") from Monday, May 6, 2019

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public Offering will be available at **www.iporeresults.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, May 6, 2019

Despatch of share certificates, refund cheques/White Form e-Refund payment instructions (if applicable) on or before⁽⁶⁾⁽⁷⁾ Monday, May 6, 2019

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on Tuesday, May 7, 2019

Notes:

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering”.
- (2) You will not be permitted to submit your application under the **White Form eIPO** service 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 an application 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 a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, April 29, 2019, the application lists will not open and close on that day. Please refer to “How to Apply for Hong Kong Offer Shares—Effect of Bad Weather on the Opening of the Application Lists” for further details.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares—Applying by Giving Electronic Application Instructions to HKSCC via CCASS”.
- (5) The Price Determination Date is expected to be on or about Monday, April 29, 2019 and in any event, not later than Sunday, May 5, 2019. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or before Sunday, May 5, 2019, the Global Offering will not proceed and will lapse.
- (6) Share certificates for the Offer Shares will become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.
- (7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.

The above expected timetable is a summary only. You should refer to “Underwriting”, “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” 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 Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. 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 authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus and the related Application Forms must not be relied on by you as having been authorized by us or any of the Relevant Persons.

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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.

OUR MISSION

Our mission is to become the preferred business partner of enterprises in their operations through providing them with full-cycle services in user acquisition, retention and monetization.

OVERVIEW

We are a user management SaaS provider for online businesses and the leading interactive advertising platform operator in China. According to iResearch, we ranked first in (i) China’s user management SaaS market in terms of the number of registered mobile apps as of December 31, 2018 each with DAUs above one million; and (ii) China’s mobile interactive advertising market in terms of revenue in 2018, with a market share of over 50%.

Launched in 2015, our interactive advertising business capitalizes on the knowledge of mobile app user behavior across a range of scenarios which we had accumulated through our user management SaaS platform business. During the Track Record Period, our interactive advertising business experienced rapid growth in terms of revenue generated. In 2016, 2017 and 2018, the revenue generated from our interactive advertising business was RMB46.7 million, RMB607.3 million and RMB1,110.1 million, accounting for 91.3%, 94.0% and 97.6%, respectively, of our total revenue. In the mobile internet era, user acquisition and retention have become core business performance indicators for mobile apps. Building on our experience in helping mobile apps to acquire and retain users, we have recently expanded to serve offline businesses (i.e., enterprises that primarily operate their businesses offline through physical outlets) with strong potential demand for our user management solutions. According to iResearch, our Group accounted for 0.3% of China’s overall mobile advertising market in terms of revenue in 2018.

User Management SaaS Platform Business

Launched in 2014, our user management SaaS platform is designed to help businesses attract and retain online users. Our SaaS platform offers various fun and engaging user management tools including reward points operation tools, marketing campaign tools and check-in tools to boost mobile app user activity and the time spent on apps. Having initially launched our user management SaaS platform on a free-of-charge model in order to expand our customer base with revenue only derived from our procurement services, we began charging for our user management SaaS solutions on a pilot basis in April 2018.

SUMMARY

As of December 31, 2018, more than 14,000 mobile apps (including (i) 58 with DAUs over 9 million; (ii) 89 with DAUs over 1 million and up to 9 million; and (iii) 246 with DAUs over 50,000 and up to 1 million in December 2018) had registered with our user management SaaS platform, reaching more than 1.3 billion mobile app users. According to iResearch, as of December 31, 2018 our user management SaaS platform was used by 53.0% of the top 100 mobile apps in terms of DAUs in December 2018 in China. We have recently extended our user management SaaS to serve offline businesses, serving 101 such businesses as of December 31, 2018.

Interactive Advertising Business

In an effort to provide full-cycle services by satisfying businesses' demand for user acquisition and monetization, we pioneered and launched our interactive advertising business in 2015 to capitalize on the knowledge of mobile app user behavior across a range of scenarios which we had accumulated through our user management SaaS platform business. Our interactive advertising tools engage users through fun and interesting interactive activities, thereby directing them to the mobile internet page which our advertisers designate. Our interactive advertising business has allowed us to develop a new customer base from that of our user management SaaS platform business and has grown quickly. Our interactive advertising business connects advertisers with our media partners. For advertisers, our solutions enable them to maximize the rate of return of their advertising spending. For media partners, our solutions enable them to benefit from the high conversion rate of our interactive advertising and effectively monetize their mobile user traffic.

We generally charge our interactive advertising customers based on the performance of advertisements. The majority of our revenue from our interactive advertising business during the Track Record Period was generated from the CPC model under which we charged customers only if viewers interacted with our advertising tools and were directed to the mobile internet page designated by the advertisers. Our fees are therefore aligned with advertisers' desire to increase mobile user traffic.

We place advertisements on content distribution channels through our media partners consisting of online publishers (i.e., owners of content distribution channels such as mobile apps) and media agents (i.e., media partners which do not own any content distribution channels) which engage with us on behalf of online publishers. The content distribution channels on which we place advertising primarily consist of mobile apps of different categories, such as social media, travel, news, practical tools, and music.

We share with our media partners a certain percentage of the revenue we generate from the placement of advertisements. Revenue shared with media partners is our most significant cost of sales item. Our revenue shared with media partners increased at a much faster pace than the revenue from our interactive advertising business, resulting in the downward pressure on our interactive advertising business' gross profit margin which was 81.7%, 36.4%, and 36.5%, in 2016, 2017 and 2018, respectively. During the Track Record Period, the amount of revenue we shared with media partners increased at a much faster pace than the revenue from our interactive advertising business primarily due to the increasing use of top and medium apps sourced from media partners to support our fast-growing interactive advertising business and to further enhance our advertising performance. These media partners generally demanded a higher percentage of revenue to be shared. Going forward,

SUMMARY

we plan to increase the depth and breadth of our relationships with top and medium media partners to grow our interactive advertising business, such as by providing more customized services. As we strengthen our relationships with top and medium media partners, we expect that the proportion of user traffic sourced from such media partners will increase, and as a result, the proportion of our revenue shared with media partners is expected to slightly increase.

Most of our major suppliers during the Track Record Period were our media partners. As we continue to source sufficient and higher-quality user traffic, we need to adjust our media partners that we cooperate with from time to time which has resulted in changes to the composition of our major media partners during the Track Record Period. See “Business—Customers and Suppliers—Major Suppliers” for the background information of our major media partners.

As of December 31, 2018, we had placed interactive advertisements on 4,065 content distribution channels, mainly comprising mobile apps, and in 2018, our interactive advertising business served 2,938 ultimate advertisers (either through advertising agent customers or as our direct customers) and contributed 284.7 million MAUs, 20.5 million DAUs and 14,523.8 million advertising page views.

Other Businesses

We seek to increase the depth and breadth of our engagement with mobile users with our apps and other products such as Tiantian Quwen (天天趣聞), a content aggregator mobile app we launched in March 2018 to monetize our own user traffic.

Revenue Model

During the Track Record Period, we generated revenue primarily from our user management SaaS platform business and our interactive advertising business. We also generated certain revenue from other businesses. The revenue generated from our user management SaaS platform business primarily included (i) the sale of merchandise we sourced from third party vendors to our customers; and (ii) the service charge we received for sourcing mobile phone payment credits and for sourcing e-wallet cash rewards. Such merchandise, payment credits, and cash rewards were gifts available for redemption by mobile app users in the reward points programs of our customers. In April 2018, we started charging for our user management SaaS solutions on a pilot basis. The revenue from our interactive advertising business primarily included fees charged for the advertising services and solutions we provided.

SUMMARY

The following table sets forth a breakdown of our revenue by nature:

	Year ended December 31,					
	2016		2017		2018	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	<i>(in thousands of RMB, except percentage)</i>					
User management SaaS platform business	4,456	8.7%	6,187	1.0%	13,661	1.2%
Interactive advertising business	46,682	91.3%	607,272	94.0%	1,110,108	97.6%
Others	—	—	32,333	5.0%	13,263	1.2%
Total	<u>51,138</u>	<u>100.0%</u>	<u>645,792</u>	<u>100.0%</u>	<u>1,137,032</u>	<u>100.0%</u>

KEY OPERATING DATA

The following table sets forth selected indicators of our businesses as of the dates and for the periods indicated:

	As of and for the year ended December 31,		
	2016	2017	2018
User management SaaS platform:			
Number of registered mobile apps contributing DAUs to our platform ⁽¹⁾ :			
> 0 and ≤ 100	3,200	6,652	6,476
> 100 and ≤ 10,000	464	558	614
> 10,000	46	65	87
DAUs (millions) ⁽¹⁾	2.8	3.9	5.6
MAUs (millions) ⁽¹⁾	32.6	60.5	97.9
	Year ended December 31,		
	2016	2017	2018
Interactive advertising solutions:⁽²⁾			
DAUs (millions) ⁽³⁾	0.6	7.7	20.5
MAUs (millions) ⁽³⁾	19.1	107.6	284.7
Advertising page views (millions) ⁽⁴⁾	95.2	6,765.2	14,523.8
Number of chargeable clicks (millions) ⁽⁵⁾	30.8	1,850.9	3,819.9
Click-through rate ⁽⁶⁾	32.4%	27.4%	26.3%

SUMMARY

Notes:

- (1) DAUs and MAUs refer to the average active users using the tools offered on our user management SaaS platform (and not the average active users of the mobile apps using our solutions) for the periods indicated. We believe the number of registered mobile apps contributing DAUs experienced a decrease from 2017 to 2018 primarily because some mobile apps had ceased updates, ceased to be available for download, lost popularity, or ceased to use our solutions.
- (2) These performance indicators are those we consider relevant for the assessment of the operations of our interactive advertising business under the CPC model, which commenced in 2016. We also generated a small portion of our revenue from our interactive advertising business under a CPA model after we commenced the CPC pricing model.
- (3) DAUs and MAUs refer to the average number of active users contributed by our HTML5 interactive advertising pages for the periods indicated and not the average active users of the content distribution channels.
- (4) Advertising page views are the total number of page views of our HTML5 interactive advertising pages for the periods indicated. The increase in our advertising page views during the Track Record Period was mainly driven by the growth in demand for our interactive advertising and the continued expansion of our sales and marketing team and our operations team, which serviced the fast-growing business.
- (5) Chargeable clicks are the total number of times users are directed to the mobile internet pages designated by advertisers for the periods indicated. The increase in our chargeable clicks during the Track Record Period was mainly driven by the same reasons contributing to the increase in our advertising page views as set forth in the preceding note 4.
- (6) Calculated as the number of chargeable clicks divided by the number of advertising page views for the periods indicated.

CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers primarily included (i) advertising agent customers and direct advertising customers using our interactive advertising solutions; and (ii) app developers (which are online businesses) and offline businesses who are the customers of our user management SaaS platform business. We generated a majority of the revenue of our interactive advertising business from doing business with advertising agent customers which were in turn engaged by brand owners to promote their products. In 2017 and 2018, we served 2,135 and 2,938 ultimate advertisers, respectively (either through advertising agents or as our direct customers). During the Track Record Period, we primarily monetized our user management SaaS by providing procurement services to customers and helping them make available gifts for redemption by mobile app users in their reward points programs. Customers who require our procurement services must pay a deposit, from which the purchase price of the relevant gifts procured for them would be deducted. For gifts of merchandise, we source them from vendors with which we have maintained long-term relationships and which could provide competitive pricing. In cases where customers instruct us to make available mobile phone payment credits and e-wallet cash rewards, we charge our customers a certain percentage of the purchase price as our processing fees. We began charging for our user management SaaS solutions on a pilot basis in April 2018.

SUMMARY

During the Track Record Period, our suppliers primarily included media partners consisting of online publishers and media agents whom we engaged for the placement of advertisements as part of the interactive advertising solutions we offer. We make arrangements for our advertisements to be placed on different content distribution channels including mainly mobile apps. We have business arrangements with both online publishers (i.e., owners of content distribution channels such as mobile apps) and media agents (i.e., media partners which do not own any content distribution channels) which engage us on behalf of the online publishers. We share a certain percentage of the revenue we generate from the placement of advertisements on content distribution channels with the online publishers and media agents.

TECHNOLOGY

Our technological capabilities enable us to provide automated services to our customers online, allowing us to scale our business rapidly. We utilize data analytics and AI technology to operate our business. Data analytics tools are applied in performance analysis and effective monitoring of irregular activities, utilizing our wealth of multi-dimensional user data. In both our user management SaaS platform and our interactive advertising solutions, machine learning algorithms are used to achieve optimized placement of marketing materials by way of prioritization of the placement of specific advertising and marketing campaign tools on a content distribution channel with the aim to maximize income based on real-time data. See “Business—Technology” for details.

OUR INDUSTRY

China’s internet market, in particular, the mobile internet market, has experienced rapid growth over the past five years and has more recently entered into a steady growth phase. According to iResearch, China’s population of mobile internet users increased at a CAGR of 10.3% from the end of 2013 to the end of 2018, and is expected to grow at a CAGR of 5.3% from the end of 2018 to the end of 2023. As the mobile internet develops, people place increasing reliance on mobile apps in their daily life.

Given the increasing cost for mobile apps of acquiring new users, mobile apps have placed increasing reliance on user management SaaS to achieve user acquisition, retention and engagement in a more cost effective manner. According to iResearch, the market size of user management SaaS in China increased from RMB0.2 billion in 2013 to RMB4.4 billion in 2018, representing a CAGR of 78.1%, and is expected to grow exponentially to RMB41.9 billion in 2023, representing a CAGR of 56.8% from 2018 as leading market players start to charge fees and expand into the market to serve offline enterprises.

Interactive advertising is a form of native advertising and has reward-based interactive content which can better integrate with the online publishers’ mobile app content’s interfaces and allows better value extraction of existing user traffic without compromising user experience according to iResearch. According to iResearch, the development of China’s overall mobile advertising market has been driven primarily by the improvement of mobile internet technology, optimization of mobile content and increases in mobile traffic. The mobile interactive advertising market is a sub-segment of the mobile advertising market. The size of China’s mobile advertising market increased from RMB13.4 billion in 2013 to RMB366.3 billion in 2018 in terms of revenue, and is expected to reach RMB1,199.6 billion

SUMMARY

in 2023. The size of China's mobile interactive advertising market was RMB2.1 billion in 2018 and is expected to increase to RMB13.5 billion in 2023, at a CAGR of 44.5%. As such, the size of China's mobile interactive advertising market as a proportion of China's overall mobile advertising market is expected to increase from 0.6% in 2018 to 1.1% in 2023. According to iResearch, our Group accounted for 0.3% of China's overall mobile advertising market in terms of revenue in 2018.

OUR STRENGTHS

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

- Pioneer and leader in user management SaaS and interactive advertising in China
- Superior innovation capability driving our rapid growth
- Extensive user reach through our diversified channels
- Proven track record in user management and advertising effectiveness
- Advanced big data analytics and AI capabilities
- A visionary, insightful and creative management team

OUR STRATEGIES

We plan to implement the following strategies:

- Strengthen our position in the user management SaaS market
- Reinforce our advertising platform and capture new opportunities in the mobile advertising market
- Further enhance our technology capabilities
- Continue to incubate new products generating user traffic
- Pursue strategic investments and acquisition opportunities

RISK FACTORS

There are certain risks relating to investment in the Offer Shares, among which the relatively material risks include (i) our significant growth during the Track Record Period may not be indicative of our future growth, and our limited operating history makes it difficult to evaluate our growth prospects and future financial results; (ii) we relied on our interactive advertising business and we cannot assure you that it will continue to be successful; (iii) we may fail to maintain good relationship with media partners; (iv) if we fail to innovate as well as adapt and respond timely and effectively to rapidly changing technologies and new trends in online marketing, our interactive advertising

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business may become less competitive or obsolete; (v) we may fail to retain existing customers or attract new customers; (vi) the mobile advertising market and the interactive advertising market in China are competitive and we may not continue to compete successfully; (vii) the gross profit margin of our interactive advertising business may decrease as a result of the increase in revenue shared with media partners, which may adversely affect our profitability; (viii) we cannot guarantee the success of our user management SaaS platform business; (ix) our newly developed businesses may not be successful, and their future performance may not meet our expectation; and (x) we may not be able to implement our growth strategies or manage our growth effectively.

PRE-IPO INVESTMENTS AND OUR CONTROLLING SHAREHOLDERS

In May 2018, our Pre-IPO Investors, Orchid Asia and TPG, invested in our Company in the Series C Investment. Further, Lilingling Holding Limited, Lingxi Holding Limited, Liyuhong Holding Limited, Baoxinglong Holding Limited, Xulu Holding Limited, Qizhao Holding Limited, Weili International Limited, Xinran Group Holding Limited and Jingmao International Limited are considered to be our Pre-IPO Investors. See “Pre-IPO Investments” for details of our pre-IPO investments.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), XL Holding will directly hold 40.91% of the issued share capital of the Company. XL Holding is wholly-owned by Antopex Limited, through Blissful Plus, as nominee for CMB Wing Lung (Trustee) Limited, the trustee of the Chen’s Family Trust, which was set up by Mr. Chen Xiaoliang, our founder, Chairman and CEO and an executive Director. Accordingly, XL Holding and Mr. Chen Xiaoliang are the Controlling Shareholders of our Company.

Share Option Scheme and the Duiba Share Award Scheme

We have conditionally adopted the Share Option Scheme and the Duiba Share Award Scheme. See “Statutory and General Information—Other Information—10. Share Option Scheme and the Duiba Share Award Scheme” in Appendix IV to this prospectus for details.

SUMMARY OF FINANCIAL INFORMATION

The summary historical consolidated financial statements sets forth below have been derived from, and should be read in conjunction with our audited consolidated financial statements including the accompanying notes, set out in Accountants’ Report in Appendix I to this prospectus, as well as the information set forth in the “Financial Information”. Our audited consolidated financial information has been prepared in accordance with HKFRSs.

SUMMARY

Principal Components of Consolidated Statements of Profit or Loss

The following table sets forth our summary consolidated statements of profit or loss for the periods indicated.

	Year ended December 31,					
	2016		2017		2018	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	<i>(in thousands of RMB, except percentage)</i>					
Revenue	51,138	100.0%	645,792	100%	1,137,032	100.0%
Cost of sales	<u>(11,102)</u>	<u>(21.7%)</u>	<u>(403,766)</u>	<u>(62.5%)</u>	<u>(708,119)</u>	<u>(62.3%)</u>
Gross profit	40,036	78.3%	242,026	37.5%	428,913	37.7%
Other income and gains	663	1.3%	3,260	0.5%	13,222	1.2%
Selling and distribution expenses . . .	(8,599)	(16.8%)	(46,026)	(7.1%)	(107,156)	(9.4%)
Administrative expenses	(37,517)	(73.4%)	(82,213)	(12.7%)	(173,554)	(15.3%)
Changes in fair value of financial liabilities at fair value through profit or loss	(84,255)	(164.8%)	(18,605)	(2.9%)	(453,592)	(39.9%)
Other expenses	—	—	(79)	0.0%	(1,139)	(0.1%)
Finance costs	—	—	—	—	(5,772)	(0.5%)
Profit/(loss) before tax	(89,672)	(175.4%)	98,363	15.2%	(299,078)	(26.3%)
Income tax (expense)/credit	<u>2,233</u>	<u>4.4%</u>	<u>(255)</u>	<u>0.0%</u>	<u>7,496</u>	<u>0.7%</u>
Profit/(loss) for the year	<u>(87,439)</u>	<u>(171.0%)</u>	<u>98,108</u>	<u>15.2%</u>	<u>(291,582)</u>	<u>(25.6%)</u>
Non-HKFRS Measure Adjusted profit/(loss) for the year⁽¹⁾	<u>(2,891)</u>	<u>(5.7%)</u>	<u>118,704</u>	<u>18.4%</u>	<u>205,217</u>	<u>18.0%</u>

Note:

- (1) We define “adjusted profit/(loss) for the year” as profit or loss for the year, adding back share-based payment, listing expense, changes in fair value of financial liabilities at fair value through profit or loss, and finance costs. Adjusted profit/(loss) for the year is not a measure required by or presented in accordance with HKFRSs. The use of adjusted profit/(loss) for the year has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRSs. See “Financial Information—Principal Components of Consolidated Statements of Profit or Loss—Non-HKFRS Measure.”

We incurred net losses of RMB87.4 million and RMB291.6 million in 2016 and 2018, respectively, mainly because we incurred fair value losses on redeemable preference shares, which are designated as financial liabilities at fair value through profit or loss, and are initially recognized at fair value. The increases in their fair value are recognized as a fair value loss, which is a non-cash item that will not recur in the financial years after the Listing, as the redeemable preference shares issued by us will be converted into Ordinary Shares immediately prior to the Share Subdivision and the Listing.

SUMMARY

NON-HKFRS MEASURE

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

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

	Year ended December 31,		
	2016	2017	2018
	<i>(in thousands of RMB)</i>		
Profit/(loss) for the year	(87,439)	98,108	(291,582)
<i>Add:</i>			
Share-based payment.	293	1,991	12,247
Listing expenses	—	—	25,188
Changes in fair value of financial liabilities at fair value			
through profit or loss.	84,255	18,605	453,592
Finance costs (<i>note</i>)	—	—	5,772
Adjusted profit/(loss) for the year	<u>(2,891)</u>	<u>118,704</u>	<u>205,217</u>

Note: During the Track Record Period, our finance costs represented dividends we paid to holders of our redeemable preference shares. Such expenses are not expected to recur after the conversion of the redeemable preference shares into Ordinary Shares which will take place immediately prior to the Share Subdivision and the Listing.

SUMMARY

Summary Financial Data from Consolidated Statements of Financial Position

The following table sets forth our key financial data from our consolidated statements of financial position:

	As of December 31,		
	2016	2017	2018
	<i>(in thousands of RMB)</i>		
Total non-current assets	5,569	7,432	22,680
Total current assets	66,059	356,041	869,270
Total current liabilities.	37,641	210,804	172,309
Net current assets	28,418	145,237	696,961
Total assets less current liabilities	33,987	152,669	719,641
Total non-current liabilities	126,097	144,680	1,151,639
Net assets/(liabilities)	(92,110)	7,989	(431,998)

As of December 31, 2016 and 2018, we had net liabilities of RMB92.1 million and RMB432.0 million, respectively, mainly because we recognized significant liabilities from our redeemable preference shares. We had net assets of RMB8.0 million as of December 31, 2017. As of December 31, 2016, 2017 and 2018, the fair value of our redeemable preference shares was RMB126.1 million, RMB144.7 million and RMB1,151.4 million, respectively. Upon the conversion of the redeemable preference shares into Ordinary Shares immediately prior to the Share Subdivision and the Listing, the liabilities we previously recognized for the redeemable preference shares will be re-designated as equity and following such re-designation, we expect to have a net assets position.

As of December 31, 2016, 2017 and 2018, our financial assets at fair value through profit or loss were RMB24.8 million, RMB224.9 million and RMB426.2 million, respectively. Our financial assets at fair value through profit or loss represent the financial products in which we had invested. These investments include certain low-risk wealth management products, bonds and funds issued by financial institutions in the PRC. In 2016, 2017 and 2018, we recognized (i) investment income from financial assets at fair value through profit or loss of RMB0.4 million, RMB2.0 million, and RMB8.0 million, respectively; and (ii) gains of RMB0.1 million, RMB0.5 million, and RMB2.1 million, respectively, from changes in fair value of financial assets at fair value through profit or loss. We have formulated policies for managing our investments in financial products such as (i) we may purchase financial products to pursue returns and higher capital utilization using our available funds, to the extent permitted by government policies and subject to effective control of investment risk; and (ii) the funds used for financial products investments shall not be taken from those set aside for our normal business operation or specific business plans. See “Financial Information—Discussion of Certain Items from the Consolidated Statements of Financial Position—Financial Assets at Fair Value Through Profit or Loss” for further details of our policies. Changes in fair value of financial assets at fair value through profit or loss depend on factors including market conditions which are beyond our control. We

SUMMARY

cannot assure you that gains from changes in fair value of financial assets at fair value through profit or loss will recur in the future. See “Risk Factors—Risks Relating to Our Business and Industry—Our historical profitability was affected by gains from changes in fair value of financial assets at fair value through profit or loss which may not recur in the future”.

As of December 31, 2018, we had accumulated losses of RMB337.2 million, mainly because we incurred significant fair value losses of redeemable preference shares.

Summary Financial Data from Consolidated Statements of Cash Flows

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

	Year ended December 31,		
	2016	2017	2018
	<i>(in thousands of RMB)</i>		
Operating cash flows before movements in working capital	(5,309)	117,428	163,927
Net cash flows from (used in) operating activities	16,359	269,764	(7,423)
Net cash flows (used in) investing activities	(12,098)	(199,826)	(231,231)
Net cash flows from financing activities	—	—	403,550
Net foreign exchange difference	—	—	25,879
Net increase in cash and cash equivalents	4,261	69,938	164,896
Cash and cash equivalents at beginning of year	16,591	20,852	90,790
Cash and cash equivalents at end of the year	20,852	90,790	281,565

In 2018, we had net cash flows used in operating activities amounting to RMB7.4 million. Our net cash flows used in operating activities in 2018 were mainly attributable to an increase in trade receivables of RMB101.1 million mainly because in the last two months of 2018, in order to fulfill the increasing demand from an e-commerce advertiser during the peak season, we granted this customer (under the CPC pricing model) a short-term credit term of 30 to 60 days. With a view to achieving a healthy cash flow position, we intend to continue to review the credit terms we grant to customers based on our assessment of their credit worthiness taking into account, among other factors, their financial position and past dealing experience with us.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios during the Track Record Period:

	Year ended December 31,		
	2016	2017	2018
Profitability ratios			
Gross profit margin ⁽¹⁾	78.3%	37.5%	37.7%
Net profit margin ⁽²⁾	—	15.2%	—
Adjusted net margin ⁽³⁾	—	18.4%	18.0%

SUMMARY

Notes:

- (1) The calculation of gross profit margin is based on gross profit for the year divided by revenue for the respective year and multiplied by 100%.
- (2) The calculation of net profit margin is based on profit for the year divided by revenue for the respective year and multiplied by 100%.
- (3) Adjusted net margin equals adjusted profit/(loss) for the year divided by revenue for the respective year and multiplied by 100%. See “Financial Information—Principal Components of Consolidated Statements of Profit or Loss—Non-HKFRS Measure.”

The decrease in our gross profit margin in 2017 and 2018 was primarily due to the decrease in the gross profit margin of our interactive advertising business, which was mainly due to the increased proportion of user traffic in top and medium apps which generally demanded a higher percentage of revenue to be shared.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering and the exercise of any options that may be granted under the Share Option Scheme on the basis that we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue for the year ended December 31, 2018 being RMB1,137.0 million (equivalent to approximately HK\$1,326.9 million), which is over HK\$500.0 million; and (ii) our expected market capitalization at the time of Listing, which, based on the low-end of the indicative offer price range, exceeds HK\$4.0 billion.

DIVIDEND

During Track Record Period, we did not declare or pay any dividend to holders of Ordinary Shares and Preferred Shares except for the cash dividends of RMB24.0 million HZ Duiba declared in March 2018 and paid in March and April 2018.

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

SUMMARY

We expect that the accumulated losses as of December 31, 2018, mainly as a result of the changes in fair value of redeemable preference shares, will not affect our Company's ability to declare and pay dividends upon and immediately after the Listing because according to the Articles and the Cayman Companies Law, our Company may declare and pay dividends from our share premium. As of December 31, 2018, our Company had distributable reserves of US\$66.5 million.

We currently intend to declare and pay dividends on an annual basis of no less than 30% of our adjusted profit (namely, our profit for the year, adding back share based payment, listing expenses, changes in fair value of financial liabilities at fair value through profit or loss, and finance costs) for the year ended December 31, 2018 and for the years ending December 31, 2019 and 2020, but subject to the aforementioned factors and conditions in respect of our dividend declaration by our Board. As of the Latest Practicable Date, we have not declared or paid any dividend in respect of our share premium and adjusted profit for the year ended December 31, 2018, and we will issue an announcement once we declare any dividend after our Listing. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

GLOBAL OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Share Subdivision and the Global Offering have been completed and 111,111,200 Shares are newly issued in the Global Offering; (ii) the Over-allotment Option is not exercised; (iii) no Shares have been issued pursuant to the Share Option Scheme; and (iv) 1,111,111,200 Shares are issued and outstanding following the completion of the Global Offering.

	<u>Based on an Offer Price of HK\$6.00</u>	<u>Based on an Offer Price of HK\$8.10</u>
Market capitalization	HK\$6,666.7 million	HK\$9,000.0 million
Unaudited pro forma adjusted net tangible assets per Share	HK\$1.31	HK\$1.51

For the calculation of the unaudited pro forma adjusted net tangible asset value per Share, see Appendix II to this prospectus.

LISTING EXPENSES

Assuming an Offer Price of HK\$7.05 per Share (being the mid-point of the indicative offer price range stated in this prospectus), the aggregate commissions and fees, together with the Hong Kong Stock Exchange listing fee, SFC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees, printing, and other expenses relating to the Global Offering, which are payable by us are estimated to amount in aggregate to approximately HK\$80.0 million (equivalent to approximately RMB68.6 million). In 2018, listing expenses charged to profit or loss were RMB25.2 million. We expect to charge the estimated remaining listing expenses of RMB13.2 million to profit or loss during the year ending December 31, 2019 and to capitalize approximately RMB30.2 million following the Listing.

SUMMARY

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$703.3 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\$7.05 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:

- approximately 37% or HK\$258.6 million for the enhancement of our research and development function;
- approximately 25% or HK\$179.3 million for the enhancement of our sales and marketing function;
- approximately 8% or HK\$54.4 million for the enhancement of our operational function;
- approximately 20% or HK\$140.7 million for the investment into and acquiring companies and businesses that are relevant or complementary to our business and technologies, in order to support our growth strategies; and
- approximately 10% or HK\$70.3 million for working capital and other general corporate purposes.

We will issue an appropriate announcement if there is any material change in the abovementioned use of proceeds. See “Future Plans and Use of Proceeds”.

LEGAL COMPLIANCE MATTERS

During the Track Record Period, the salary basis on which our PRC subsidiaries made contributions to certain employee social welfare schemes did not fully comply with the legal requirements. See “Business—Employees—Employee Social Welfare Schemes” for details. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, (i) we did not commit any material violations of laws or regulations applicable to us which would have had a material adverse effect on our business or financial condition; and (ii) we had complied with the applicable laws and regulations in China in all material aspects.

RECENT DEVELOPMENTS

Our business model, revenue structure, and cost structure generally remained unchanged in all material respects, subsequent to the Track Record Period and up to the Latest Practicable Date. Based on the unaudited financial information of our Group, we continued to record growth in our revenue subsequent to the Track Record Period compared to the same period in 2018 primarily due to the growth of our interactive advertising business, even though the growth rate was milder compared to the growth rate we achieved during the Track Record Period which was primarily contributed by the

SUMMARY

launch of our interactive advertising business in 2015 when we had a lower base of revenue. See “Risk Factors—Risks Relating to our Business and Industry—Our significant growth during the Track Record Period may not be indicative of our future growth” for the risks relating to our future growth or performance.

Subsequent to the Track Record Period and up to the Latest Practicable Date, save for the listing expenses as disclosed in “—Listing Expenses” above and the changes in fair value of financial liabilities at fair value through profit or loss as described in “—Non-HKFRS Measure—Summary Financial Data from Consolidated Statements of Financial Position” above, we did not have any significant non-recurrent items in our consolidated statement of profit or loss.

Our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in our financial and trading positions or prospects since December 31, 2018, this being the end of the period reported on in the Accountants’ Report set out in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in “Glossary of Technical Terms.”

“affiliate”	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 Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) or GREEN Application Form(s), individually or collectively, as the context so requires, any of them, which is used in relation to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the articles of association conditionally adopted by our Company on April 17, 2019 which shall become effective upon listing of the Shares on the Hong Kong Stock Exchange
“Blissful Plus”	Blissful Plus Enterprises Limited, a company incorporated with limited liability in the BVI on July 10, 2018, which is wholly-owned by Antopex Limited as nominee for CMB Wing Lung (Trustee) Limited acting as trustee for the Chen’s Family Trust and is a connected person of our Company
“Board”	the board of Directors of our Company
“Business Day”	a day (other than a Saturday or a Sunday or a public holiday) on which banks in Hong Kong are open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Cayman Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or 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

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CEO”	chief executive officer of our Group
“Chairman”	chairman of the Board
“Chen’s Family Trust”	the Jiayou Trust, a discretionary trust set up by Mr. Chen Xiaoliang and whose beneficiaries are Mr. Chen Xiaoliang and his family members
“Circular 37”	the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Offshore Investment and Financing and Round Trip Investment via 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), which was promulgated by SAFE and took effect from July 14, 2014
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented, or otherwise modified from time to time
“Company” or “our Company”	Duiba Group Limited (兌吧集團有限公司), a company with limited liability incorporated in the Cayman Islands on February 26, 2018
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means the controlling shareholders of our Company, being Mr. Chen Xiaoliang and XL Holding
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Dingju GP”	杭州鼎聚投資管理有限公司 (Hangzhou Dingju Investment Management Co., Ltd.) a company established in the PRC. Dingju GP is owned by Liu Yang, a past director of HZ Duiba, and Li Lingling, the mother of Liu Yang
“Dingju Jingmao”	杭州鼎聚景茂投資合夥企業(有限合夥) (Hangzhou Dingju Jingmao Equity Investment Management LLP), a limited partnership established in the PRC which, prior to the Reorganization, was a shareholder of HZ Duiba
“Dingju Maohua”	杭州鼎聚茂華創業投資合夥企業 (Hangzhou Dingju Maohua Venture Capital Partnership), a limited partnership established in the PRC which, prior to the Reorganization, was a shareholder of HZ Duiba

DEFINITIONS

“Directors”	the directors of our Company
“Duiba HK”	Duiba Group (Hong Kong) Limited, a company with limited liability incorporated in Hong Kong on April 11, 2018
“Duiba ESOP Co.”	Kewei Holding Limited, a company with limited liability incorporated in the BVI on April 23, 2018 established for the purpose of holding Shares under our share award scheme
“Duiba Share Award Scheme”	the “Duiba Share Award Scheme” adopted by our Company on April 17, 2019
“EIT Law”	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) passed by the National People’s Congress of the PRC on March 16, 2007 (and amended on February 24, 2017 and December 29, 2018), together with the Implementation Rules for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) enacted by the State Council on December 6, 2007, as amended, supplemented, or otherwise modified from time to time
“ESAS Awarded Share(s)”	in respect of an ESAS Selected Employee, such number of Share(s) awarded by the Board
“ESAS Selected Employee”	an employee of our Group selected by the Board pursuant to the terms of the Duiba Share Award Scheme for participation in the Duiba Share Award Scheme
“ESAS Trust”	the trust constituted by the ESAS Trust Deed
“ESAS Trust Deed”	a trust deed in respect of the Duiba Share Award Scheme entered into between the Company and the ESAS Trustee as restated, supplemented or amended from time to time
“ESAS Trustee”	Duiba Kewei (BVI) Limited, a company incorporated in the BVI for the purpose of holding Shares for the benefit of ESAS Selected Employees under the Duiba Share Award Scheme
“Excluded Employee”	any employee of our Group who is resident in a place where the award of the ESAS Awarded Shares and/or the vesting and transfer of the ESAS Awarded Shares pursuant to the terms of the Duiba Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the ESAS Trustee, compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such employee
“first tier cities”	Beijing, Shanghai, Guangzhou and Shenzhen

DEFINITIONS

“Global Offering”	the Hong Kong Public Offering and the International Offering
“ 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 Company and our subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKASs”	the Hong Kong Accounting Standards
“HKFRSs”	the Hong Kong Financial Reporting Standards (including HKASs and their interpretations) issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 11,111,200 new Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to re-allocation as described in “Structure of the Global Offering”)
“Hong Kong Public Offering”	the offer by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to re-allocation as described in “Structure of the Global Offering”) for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%), on the terms and subject to conditions set out in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	underwriters of the Hong Kong Public Offering whose names are set out in “Underwriting”

DEFINITIONS

“Hong Kong Underwriting Agreement”	the underwriting agreement dated April 23, 2019 relating to the Hong Kong Public Offering entered into by, among others, the Joint Global Coordinators, the Joint Sponsors, the Hong Kong Underwriters, our Company and the Controlling Shareholders, as further described in “Underwriting—Underwriting Arrangements and Expenses—The Hong Kong Public Offering—Hong Kong Underwriting Agreement”
“HZ Baiqi”	杭州百奇網絡科技有限公司 (Hangzhou Baiqi Internet Technology Company Limited), a company with limited liability established in the PRC on November 16, 2016, and a wholly-owned subsidiary of our Company
“HZ Baiqi ESOP Co.”	杭州可澤股權投資管理合夥企業(有限合夥) (Hangzhou Keze Equity Investment Management LLP), a limited partnership established in the PRC on January 8, 2018 which operated an employee share scheme previously adopted by HZ Baiqi
“HZ Duiba”	杭州兌吧網絡科技有限公司 (Hangzhou Duiba Internet Technology Company Limited), a company with limited liability established in the PRC on May 13, 2011 and a wholly-owned subsidiary of our Company
“HZ Duiba ESOP Co. I”	杭州可為股權投資管理合夥企業(有限合夥) (Hangzhou Kewei Equity Investment Management LLP), a limited partnership established in the PRC on May 24, 2016 which operated an employee share scheme previously adopted by HZ Duiba
“HZ Duiba ESOP Co. II”	杭州可得股權投資管理合夥企業(有限合夥) (Hangzhou Kede Equity Investment Management LLP), a limited partnership established in the PRC on August 14, 2017 which operated an employee share scheme previously adopted by HZ Duiba
“HZ Maibaola”	杭州麥爆啦網絡科技有限公司 (Hangzhou Maibaola Internet Technology Company Limited), a company with limited liability established in the PRC on October 12, 2016, and a wholly-owned subsidiary of our Company
“HZ Tuia”	杭州推啊網絡科技有限公司 (Hangzhou Tuia Internet Technology Company Limited), a company with limited liability established in the PRC on September 22, 2016, and a wholly-owned subsidiary of our Company

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“HZ Wanhai”	杭州玩嗨互娛網絡科技有限公司 (Hangzhou Wanhai Entertainment Internet Technology Company Limited), a company with limited liability established in the PRC on January 2, 2018, and a wholly-owned subsidiary of our Company
“HZ Youfen”	杭州有粉網絡科技有限公司 (Hangzhou Youfen Internet Company Limited), a company with limited liability established in the PRC on October 25, 2016, and a wholly-owned subsidiary of our Company
“independent third party”	a party which, so far as our Directors are aware after having made reasonable enquiries, is not a connected person of our Company
“INED”	the independent non-executive Directors
“International Offer Shares”	the 100,000,000 Shares being initially offered for subscription under the International Offering subject to the Over-allotment Option and re-allocation as described in “Structure of the Global Offering”
“International Offering”	the offering of the International Offer Shares at the Offer Price (i) outside the United States to persons that are not, and are not acting for the account or benefit of, U.S. Persons in offshore transactions in reliance on Regulation S and (ii) to persons within the United States or to U.S. Persons, in each case, who are both QIBs and QPs pursuant to Rule 144A or another available exemption from registration under the U.S. Securities Act, as further described in “Structure of the Global Offering”
“International Purchase Agreement”	the underwriting agreement relating to the International Offering expected to be entered into on or about the Price Determination Date by, among others, our Company, the Controlling Shareholders, the Joint Global Coordinators and the International Purchasers, as further described in “Underwriting—Undertaking Agreements and Expenses—The International Offering”
“International Purchasers”	the underwriters of the International Offering
“iResearch”	Shanghai iResearch Co., Ltd., an independent global market research and consulting company
“iResearch Report”	an industry report prepared by iResearch which was commissioned by us in relation to, among other things, the user management SaaS industry and interactive advertising industry in the PRC

DEFINITIONS

“Joint Bookrunners” and “Joint Lead Managers”	CMB International Capital Limited, The Hongkong and Shanghai Banking Corporation Limited, BOCI Asia Limited, AMTD Global Markets Limited, ABCI Capital Limited (as a Joint Bookrunner), ABCI Securities Company Limited (as a Joint Lead Manager), China Industrial Securities International Capital Limited and Guotai Junan Securities (Hong Kong) Limited
“Joint Global Coordinators”	CMB International Capital Limited and The Hongkong and Shanghai Banking Corporation Limited
“Joint Sponsors”	CMB International Capital Limited and HSBC Corporate Finance (Hong Kong) Limited
“Key Domestic Subsidiaries”	HZ Duiba, HZ Tuia, HZ Maibaola, HZ Baiqi, HZ Youfen, HZ Wanhai and Khorgas Tuia, each a subsidiary of our Company
“Khorgas Tuia”	霍爾果斯推啊網絡科技有限公司 (Khorgas Tuia Internet Technology Company Limited), a company with limited liability established in the PRC on January 25, 2018, and a wholly-owned subsidiary of our Company
“Latest Practicable Date”	April 15, 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the listing committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or around Tuesday, May 7, 2019, from which the Shares are listed and dealings therein are first permitted to take place on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented, or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company
“MIIT”	the Ministry of Industry and Information Technology of the PRC

DEFINITIONS

“MOFCOM”	the Ministry of Commerce of the PRC
“Ningbo Mingxi”	寧波梅山保稅港區明犀投資管理有限責任公司 (Ningbo Meishan Bonded Port Zone Mingxi Investment Management Co. Ltd.), a company with limited liability established in the PRC and, prior to the Reorganization, was a shareholder of HZ Duiba. It is an independent third party of our Company
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, the SFC transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed for under the Hong Kong Public Offering and the International Offer Shares are to be offered under the International Offering, to be determined in the manner further described in “Structure of the Global Offering—Pricing of the Global Offering”
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
“Orchid Asia”	Orchid Asia Group Management, Limited, a private equity and venture capital firm, and when referred to in this prospectus in the context of its pre-IPO investment in our Company as a Series C Investor, Rising Union Limited, an investment vehicle established by Orchid Asia
“Ordinary Shares”	ordinary shares with a par value of US\$0.0001 each in the capital of our Company
“Over-allotment Option”	the option expected to be granted by our Company to the International Purchasers exercisable by the Joint Global Coordinators on behalf of the International Purchasers, pursuant to which our Company may be required to allot and issue up to 16,666,400 additional new Shares, representing approximately 15% of the Shares initially available under the Global Offering, at the Offer Price to cover, among other things, over-allocations in the International Offering as described in the section headed “Structure of the Global Offering” in this prospectus
“PRC” or “China”	the People’s Republic of China and for the purposes of this prospectus only, except where the context requires otherwise, references to the PRC or China exclude Hong Kong, Macau, and Taiwan; and “Chinese” shall be construed accordingly
“PRC Legal Advisor”	Jingtian & Gongcheng

DEFINITIONS

“Pre-IPO Investors”	those investors in our Group referred to as such in “Pre-IPO Investments”
“Preferred Shares”	the Series Angel Preferred Shares and the Series C Preferred Shares
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be Monday, April 29, 2019, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than Sunday, May 5, 2019
“Qualified Institutional Buyer” or “QIB”	qualified institutional buyer as defined in Rule 144A
“Qualified Purchaser” or “QP”	qualified purchaser as defined in section 2(a)(51) under the U.S. Investment Company Act
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Persons”	the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Controlling Shareholders, any of their or our Company’s respective directors, officers or representatives, or any other person involved in the Global Offering
“Reorganization”	the corporate reorganization of our Group in preparation for the Listing, the particulars of which are set out in “History, Reorganization and Corporate Structure”
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to the Board by our Shareholders, particulars of which are set out in “Statutory and General Information—About our Company—3. Resolutions of the Shareholders passed on April 17, 2019” in Appendix IV to this prospectus
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC
“SAIC”	the State Administration of Industry and Commerce of the PRC or the State Market Supervision Administration of the PRC after the 2018 State Council Institutional Reform

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“SAT”	the State Administration of Taxation of the PRC
“Series Angel Preferred Shares”	series angel Preferred Shares with a nominal value of US\$0.0001 each in the capital of our Company
“Series C Investment”	the subscription of Series C Preferred Shares by the Series C Investors in 2018, further details of which are set out in “Pre-IPO Investments”
“Series C Investors”	Rising Union Limited and TPG Growth IV SF Pte. Ltd., further particulars of which are set out in “Pre-IPO Investments”
“Series C Preferred Shares”	series C-1 Preferred Shares and series C-2 Preferred Shares, each with a nominal value of US\$0.0001 per share, in the capital of our Company
“Series Seed Investment”	the RMB2,250,000 investment in HZ Duiba by Dingju Maohua in September 2014, details of which are set out in “History, Reorganization and Corporate Structure—Our Key Domestic Subsidiaries—HZ Duiba” and “Pre-IPO Investments”
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented, or otherwise modified from time to time
“Share Option Scheme”	the post-IPO share option scheme approved and adopted by the Board on April 17, 2019, a summary of the principal terms of which is set out in “Statutory and General Information—Other Information—Share Option Scheme and the Duiba Share Award Scheme” in Appendix IV to this prospectus
“Share Subdivision”	the subdivision of each Ordinary Share in our Company’s issued and unissued share capital with par value of US\$0.0001 each into 10 Shares of par value of US\$0.00001 each. See “Statutory and General Information—About our Company—3. Resolutions of the Shareholders passed on April 17, 2019” in Appendix IV to this prospectus
“Shareholders”	holders of Shares
“Shares”	ordinary shares with a nominal value of US\$0.00001 each in the capital of our Company following the Share Subdivision
“sq.m.”	square meters

DEFINITIONS

“Stabilizing Manager”	CMB International Capital Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilizing Manager and XL Holding pursuant to which XL Holding will agree to lend up to 16,666,400 Shares to the Stabilizing Manager on the terms set out therein
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs
“TPG”	TPG, a global investment firm, and when referred to in this prospectus in the context of its pre-IPO investment in our Company as a Series C Investor, TPG Growth IV SF Pte. Ltd., an investment vehicle established by TPG
“Track Record Period”	the period comprising the three years ended December 31, 2018
“Underwriters”	the Hong Kong Underwriters and the International Purchasers
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Purchase Agreement
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S.” or “United States”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
“U.S. Investment Company Act”	the United States Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder
“U.S. Person”	has the meaning given to such term in Rule 902(k) of Regulation S
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Vesting Date”	in respect of an ESAS Selected Employee, the date on which his entitlement to the ESAS Awarded Shares is vested in such ESAS Selected Employee pursuant to the terms of the Duiba Share Award Scheme
“we”, “us”, or “our”	our Company and, unless the context requires otherwise, our subsidiaries
“ White Form eIPO ”	the application for the Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.eipo.com.hk

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“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“XL Holding”	Xiaoliang Holding Limited, a company with limited liability incorporated in the BVI on February 26, 2018, and wholly owned by Blissful Plus, a company controlled by the Chen’s Family Trust for the benefit of Mr. Chen Xiaoliang and of his family members
“%”	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.

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.

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 names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this prospectus in connection with our Company and our business. Some of these may not correspond to standard industry definitions.

“AI”	artificial intelligence
“API”	application programming interface, a set of routines, protocols, and tools for building software applications
“app” or “mobile app”	application software designed to run on a mobile device
“app user”	user of apps. When calculating the number of app users reached by our user management SaaS platform, the same user of different apps is counted as multiple users
“CPA”	cost per action, a pricing model where advertising is paid on the basis of each action of the mobile device user such as download, installation or registration
“CPC”	cost per click, a pricing model where advertising is paid on the basis of the number of clicks
“containerization”	an operating system-level virtualization method used to deploy and run distributed applications without launching an entire virtual machine for each application
“DAUs”	the average number of daily active users in a certain period. When calculating the DAUs reached or contributed by our user management SaaS based on our internal records, the same user of different apps is counted as multiple users. When calculating the DAUs contributed by our interactive advertising based on our internal records, the same user of different apps is counted as multiple users prior to May 2017, while the same user of different app viewing advertisements is counted as one user from May 2017 onwards. According to iResearch, it is generally in line with the industry norm in the internet industry in China to identify the same user as one user regardless of such user’s multiple activities when calculating DAUs
“DSP”	demand side platform, a system that allows buyers of digital advertising inventory to manage multiple advertising exchange accounts through one interface
“HTML5”	a mark-up language used for structuring and presenting content on the World Wide Web, the fifth and current major version of the HTML standard

GLOSSARY OF TECHNICAL TERMS

“interactive advertising”	a form of advertising engaging users through interactive activities
“MAUs”	the average number of monthly active users in a certain period. When calculating the MAUs reached or contributed by our user management SaaS based on our internal records, the same user of different apps is counted as multiple users. When calculating the MAUs contributed by our interactive advertising based on our internal records, the same user of different apps is counted as multiple users prior to May 2017, while the same user of different app viewing advertisements is counted as one user from May 2017 onwards. According to iResearch, it is generally in line with the industry norm in the internet industry in China to identify the same user as one user regardless of such user’s multiple activities when calculating MAUs
“mini program”	a form of sub-application within the ecosystem of certain top mobile apps such as Wechat and Alipay
“native advertising”	a type of advertising that matches the form and function of the platform upon which it appears
“oCPC”	optimized cost per click, a bid optimizing strategy which automatically adjusts advertisers’ bid to achieve finer matching of bid and traffic quality of page view request granularity
“offline business”	an enterprise that primarily operates its business offline through physical outlets
“user participation rate”	with respect to our reward points operation tools, it is calculated as the number of users interacting with such tools in a relevant period divided by the total number of users logging on the apps registered with our user management SaaS platform in the same period
“user retention rate”	with respect to our reward points operation tools, it is calculated as the daily average of the proportion of users logging on to our reward points operation tools among those who logged on to such tools on the previous day
“SaaS”	software as a service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted

GLOSSARY OF TECHNICAL TERMS

“SDK”	software development kit, a set of software development tools that allows the creation of applications for a certain software package
“SSP”	supply side platform, a system that allows publishers to manage their advertising inventory and receive revenue
“traffic”	as for mobile advertising, the flow of advertising audience
“tag”	a keyword describing the characteristic assigned such as to audience or app
“user management SaaS”	a form of SaaS that is designed to help online and offline businesses improve user acquisition, engagement and retention
“virtual machine”	an emulation of a computer system providing functionality of a physical computer

RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this prospectus, including our financial statements and related notes, before you decide to purchase our Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial condition, and prospects would likely suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment. This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our significant growth during the Track Record Period may not be indicative of our future growth

We launched our user management SaaS platform in 2014 and our interactive advertising business in 2015. We experienced significant growth during the Track Record Period. Our revenue increased significantly from RMB51.1 million in 2016 to RMB645.8 million in 2017 and further to RMB1,137.0 million in 2018. Our revenue growth has mainly been driven by the launch of our interactive advertising business during the Track Record Period, as well as the fast expansion of the mobile interactive advertising market in China. However, we cannot guarantee that interactive advertising will continue to be well received in China.

In addition, we cannot assure you that we will be able to achieve an adjusted net profit margin (defined as adjusted net profit (i.e., profit or loss for the year, adding back share-based payment, listing expenses, changes in fair value of financial liabilities at fair value through profit or loss, and finance costs) divided by revenue) comparable to the level in 2017 and 2018. Our adjusted net profit margin decreased from 18.4% in 2017 to 18.0% in 2018.

Accordingly, our results of operations for any prior periods should not be relied on as an indication of our future performance.

Our limited operating history makes it difficult to evaluate our growth prospects and future financial results

Although we experienced significant revenue growth during the Track Record Period, we have a limited history for evaluating our business, financial condition, results of operations and prospects. We may not be able to achieve similar results or growth in future periods. Our future prospects should be considered in light of the risks and uncertainties regarding our ability to:

- manage our expanding business;
- continue to offer innovative marketing tools to serve advertisers;
- continue to expand, retain, train, manage, and motivate our workforce;

RISK FACTORS

- implement new or upgraded operational systems;
- maintain and expand our collaboration with media partners;
- respond to evolving regulatory environment;
- compete with competitors who offer the same or similar services and solutions; and
- anticipate and adapt to evolving internet users' interests and preferences, industry trends, market conditions, and competition.

Addressing the above risks and uncertainties will require allocation of valuable management and staff resources. If we fail to address or respond to any of these risks and uncertainties, our business, financial condition, and results of operations may be materially and adversely affected.

We relied on our interactive advertising business and we cannot assure you that it will continue to be successful

Our significant growth during the Track Record Period was primarily attributable to the growth in our revenue generated from our interactive advertising business. In 2016, 2017 and 2018, our interactive advertising business accounted for (i) 91.3%, 94.0%, and 97.6% of our total revenue, respectively; and (ii) 95.3%, 91.3%, and 94.6% of our gross profit, respectively. We began providing interactive advertising solutions in 2015, and officially launched our interactive advertising platform, in June 2016. We generally charge customers of our interactive advertising business under the CPC model, under which we charge customers only if viewers interacted with our advertising tools and were directed to the mobile internet pages designated by the advertisers. However, we only commenced charging our customers under this model in 2016. The number of chargeable clicks on which we charge our customers increased from 30.8 million in 2016 to 3,819.9 million in 2018. Given the limited history of our interactive advertising business and, in particular, its operation under the CPC model, it would be difficult to evaluate the growth prospects and future financial results of our interactive business based on historical performance, and therefore we cannot assure you that it will continue to be successful, or at all. Any adverse changes in our interactive advertising business will materially affect our overall business, financial condition, results of operations and prospects.

We may fail to maintain good relationship with media partners

We acquire user traffic from our media partners. We enter into arrangements with media partners including online publishers and media agents to place our advertisements on content distribution channels. In general, our media partners receive from us a certain percentage of the revenue we generate from the placement of advertisements on the media partner's content distribution channel. Our ability to maintain our relationship with media partners depends on how well we are able to help them monetize their content distribution channels.

RISK FACTORS

If our media partners are dissatisfied with our advertisements' monetization performance, they may cease to cooperate with us. Loss of media partners may in turn affect our access to user traffic and content distribution channels, and may impair our ability to place advertisements. Any of these events could materially and adversely affect our business, financial condition, results of operations and prospects.

If we fail to innovate as well as adapt and respond timely and effectively to rapidly changing technologies and new trends in online marketing, our interactive advertising business may become less competitive or obsolete

Our future success will depend on our ability to continue to innovate, enhance and broaden our interactive advertising business to meet evolving marketing needs, and address technological advancements and new trends in online marketing. We may not be able to identify and respond to these new trends in a timely manner, or at all.

For example, in recent years mini programs have become popularized rapidly in China. Many of these mini programs are direct competitors to mobile apps, which are currently our primary content distribution channels. Any decrease in the popularity of those mobile apps in the future may decrease advertisers' willingness to maintain or increase their advertising spending on mobile apps, and it may reduce mobile apps' demand for user management SaaS. Mini programs may also serve as a means of promotion for advertisers, and may reduce their demand for placing advertisement on mobile apps.

In addition, mini programs are operated in the respective mobile apps which can exercise extensive control over mini programs' operations. For example, as those mobile apps are incentivized to capture the monetization potential of the mini programs they host, they may restrict the mini programs' ability to place advertisements without their consent which may adversely affect our ability to work with mini programs in our business operation. As of the Latest Practicable Date, our cooperation with mini programs was insignificant.

In addition, technological advancements in data analytics and new models of online marketing may make our current service offerings less appealing to our customers. Further, mobile device manufacturers frequently introduce new devices, and from time to time they may introduce new operating systems or modify existing ones. Mobile network carriers may also restrict our ability to access specific content on mobile devices. We therefore need to continue to innovate as well as adapt and respond timely and effectively to rapidly changing technologies and new trends in online marketing.

If we fail to continue our innovation in technologies and solutions, or if we fail to adapt our interactive advertising business to the new generations of electronic devices or operating systems, our interactive advertising business may become less competitive or obsolete. Any of these events could materially and adversely affect our business, financial condition, results of operations, and prospects.

RISK FACTORS

We may fail to retain existing customers or attract new customers

We do not have long-term contracts with customers, and a majority of our contracts are for a term of one year or shorter. Our customers, which include user management SaaS customers and advertising customers, are not obligated to use our solutions and services on an exclusive basis and they generally use multiple service providers. Furthermore, we have had a continuous change of customers during our development. Accordingly, we need to continue to identify new customers and retain our existing customers to use our services, increase their usage, and encourage them to spend a larger share of their online marketing budgets with us, and do so on an ongoing basis.

Our ability to achieve renewals of our contracts with customers and secure new sales depends on many factors, many of which are outside of our control, including, among others:

- customer satisfaction with our solutions and services;
- the competitiveness of our pricing and payment terms for our customers, which may, in turn, be constrained by our capital and financial resources;
- our ability to tailor our solution offerings and delivery in accordance with the evolving needs of our customers;
- maintaining the appeal of our marketing tools;
- our ability to innovate and develop new products and services meeting our customers' evolving demand;
- maintaining stable cooperation relationships with our media partners, including reaching the revenue sharing agreements on commercially reasonable terms;
- competition with the same or similar services and solutions offered by other competitors;
- mergers, acquisitions, or other consolidation among our advertising customers; and
- the effects of global economic conditions on spending levels of advertisers generally.

Therefore, we cannot assure you that our existing customers will continue to spend at similar levels on our services or that they will continue to use our services at all. We may not be able to replace customers which decrease or cease their usage of our services with new customers that spend similarly on our services in a timely manner, or at all. We have relied on major customers to generate a significant portion of our revenues. For example, our five largest customers accounted for 31.5%, 45.9%, and 59.3%, respectively, of our total revenue in 2016, 2017 and 2018.

If our existing customers do not continue to use or increase their use of our services, or if we are unable to attract sufficient marketing spending on our services from new customers, our business, financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

In particular, our customers include third-party advertising agent customers engaged by end advertisers to execute marketing campaigns on their behalf. We relied on our advertising agent customers to procure end advertisers for our interactive advertising business. In 2018, our interactive advertising business had 552 customers (including 470 direct advertising customers and 82 advertising agent customers) which represented 2,938 ultimate advertisers (either through advertising agent customers or as our direct customers) and a significant portion of our revenue. We do not have exclusive business arrangement with these advertising agent customers. If we lose any advertising agent customers, we risk losing business from end advertisers represented by that agent. For example, our largest customer, an advertising agent customer in 2017, was no longer our customer since early 2018. We cannot guarantee that we can secure business relations with the end advertisers represented by this agent. Loss of advertising agent customers could materially and adversely affect our business, financial condition and results of operations.

The mobile advertising market and the interactive advertising market in China are competitive and we may not continue to compete successfully

According to iResearch, our Group ranked the first among China's mobile interactive advertisement market with market share of 51.7% in 2018 in terms of revenue. However, as China's mobile advertising and mobile interactive advertising markets are competitive, we cannot guarantee that we will not lose market share to other market participants and that our interactive advertising business will not face increasing competition from other providers of interactive advertising services, as well as from other forms of online and mobile advertising. See "Industry Overview" for details. If we fail to compete effectively or successfully, our business, results of operations, and prospects may be materially and adversely affected.

The gross profit margin of our interactive advertising business may decrease as a result of the increase in revenue shared with media partners, which may adversely affect our profitability

As disclosed in "Business—Our Businesses—Interactive Advertising Business—Our Relationships with Media Partners", in general, media partners are entitled to a certain percentage of the revenue we generate from the placement of advertising on their content distribution channels. As our interactive advertising business grew, in the Track Record Period, our cost of sales primarily consisted of the revenue shared with media partners.

Our gross profit margin decreased from 78.3% in 2016 to 37.5% in 2017 and 37.7% in 2018, primarily attributable to a decrease in the gross profit margin of our interactive advertising business. Such decrease was mainly due to the increased proportion of user traffic of top and medium apps we sourced from media partners to support our fast-growing business and further enhance the performance of our interactive advertising business. These media partners generally demanded a higher percentage of revenue to be shared. The cost of sourcing user traffic may also increase as a result of competition among advertising services providers, including us. We expect that we will continue to place a significant portion of our advertising content on the content distribution channels of these media partners. As a result, revenue shared with media partners as a proportion of our revenue may continue to increase and this may have an adverse impact on our gross profit margin.

RISK FACTORS

We cannot guarantee the success of our user management SaaS platform business

Our user management SaaS platform business may not compete successfully due to a number of uncertainties, including the competition among the existing and potential competitors, new user management solutions offered by our competitors, alternatives to our user management SaaS solutions that may be adopted by customers, decisions of our customers to manage users by themselves and reduced spending by our customers on user management SaaS services. Furthermore, we took initiatives to start charging for certain of our online user management services on a pilot basis since April 2018. See “Business—Our Businesses—User Management SaaS Platform Business”. We cannot assure you that such initiatives will be successful and receive market acceptance or such initiatives will not drive away our existing and new customers. If we cannot successfully monetize our user management SaaS platform business due to competition or other factors, our business, financial conditions, results of operations and prospects may suffer. In addition, if the popularity of our user management SaaS platform declines, it may adversely affect our relationships with the media partners which use our user management SaaS solutions.

Our newly developed businesses may not be successful, and their future performance may not meet our expectation

Leveraging our user management SaaS platform and interactive advertising businesses, we established a number of app related businesses which aim to further monetize mobile user traffic. For example, we established the Youfen (有粉) in October 2016 and Tiantian Quwen (天天趣聞) businesses in March 2018. See “Business—Our Businesses—Other Businesses”. These new businesses do not have proven track record and therefore we cannot assure you that they will be successful, receive market acceptance or meet our expectations. Due to the limited operating history, we may not successfully estimate the performance of these businesses. If we record unexpected significant expenses or operating losses for any of these new businesses, we would need to identify and assess the factors causing such expenses or losses and make adjustments as appropriate, which will distract our management’s time and attention on our primary business. In addition, our efforts to address the unexpected negative performance of the new businesses may not be successful or will take an unforeseeable amount of time. Developing new businesses may incur a substantial amount of investments, and we may not be able to recoup our investments as we expect. If our new businesses turned out to be unsuccessful, our business, financial conditions, results of operations, and prospects may suffer.

We may not be able to implement our growth strategies or manage our growth effectively

Our future success depends, to a large extent, on our ability to implement our future plans. We intend to, among other things, strengthen our position in the user management SaaS market, upgrade and strengthen the monetization effectiveness of our interactive advertising business, and to expand to overseas markets. See “Business—Our Strategies” and “Future Plans and Use of Proceeds” for detailed information of our future plans.

RISK FACTORS

However, our ability to grow and implement our future plans will be subject to a wide range of operational and financial requirements, including, among others, appropriate allocation of capital investments in implementing various plans and adequate human resources. We may also be unable to realize our future plans in accordance with the expected timetable, or at all, due to other risks and uncertainties which include, among others, intensifying competition, our ability to retain key employees and maintain favorable labor relations, our financial stability, and our existing business relationships with major customers and suppliers. The execution of our future plans may also be hindered by other factors beyond our control, such as general market conditions and the domestic and international economic and political environment. Our overseas expansion plan may also be hindered by laws and regulations of the relevant markets which may differ significantly from those of in the PRC. In addition, overseas advertisers and publishers may differ significantly from those in the market we operate such as their size, preferences, experiences and expectation, and we may not successfully leverage our experience when working with them.

If we fail to implement our growth strategies or manage our growth effectively, this may hinder our ability to capture new business opportunities and maintain our competitive edge, and hence, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

If our algorithms for assessing and predicting potential audience interaction with marketing content are flawed or ineffective, or if our solutions and services fail to otherwise function properly, our reputation and market share would be materially and adversely affected

Our ability to attract advertising customers to, and build trust in, our interactive advertising solutions is significantly dependent on our ability to assess and predict audience's interest in, and interaction with, relevant marketing content. We utilize big data analytics and AI capabilities to track, process, and analyze internet user data, predict internet users' potential engagement with marketing materials, and achieve precise placement of advertising and marketing campaign tools. See "Business—Technology" for details.

We expect to experience significant growth in the amount of data we process as we continue to develop features to meet evolving and growing demands from our advertising customers. As the amount of data we process increases, the calculations that our technologies must process become increasingly complex and the likelihood of any defect or error increases. To the extent our technologies fail to assess or predict a user's interest in and interaction with, the relevant marketing content, or experience significant errors or defects we may lose our advertising customers due to lower than expected conversion rate, and our advertising customers may not achieve their marketing goals in a cost-effective manner or at all, which could make our platform less attractive to them, result in damage to our reputation and a decline of our market share and adversely affect our business, financial condition, and results of operations. In addition, in the event that we are unable to maintain the click-through rates of the advertising we place, our media partners' revenue generated from providing content distribution channels to us could be affected, which may lead to the decrease in the level of cooperation with us, which in turn could materially and adversely affect our business, financial condition, results of operations and prospect.

RISK FACTORS

Our technology infrastructure may experience unexpected system failure, interruption, inadequacy or security breaches

Our technology infrastructure, including facilities and equipment owned by us and those we outsourced from third parties, may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload. We may encounter problems when upgrading our systems or services and undetected programming errors, which could adversely affect the performance of our operating systems and user experience.

Our business depends on the performance and reliability of the internet infrastructure in China. Almost all access to the internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. We rely on this infrastructure to provide data communications primarily through local telecommunication lines and wireless telecommunication networks. Although the PRC government has plans to develop the national information infrastructure, we cannot assure you that a sophisticated internet infrastructure will be developed. In the event of disruptions, failures or other problems with China's internet infrastructure, we may not have access to alternative networks on a timely basis, if at all.

We also utilize information technology systems, including third-party systems, to process operational and financial information for operational and internal reporting purposes and to comply with regulatory, legal, and tax requirements. In addition, we depend on information technology for electronic communications between our facilities, personnel, customers, and suppliers. We cannot guarantee that the third party information technology systems will function properly or will not experience any suspension or disruption which may affect our normal business operation.

Our information technology systems may be vulnerable to a variety of interruptions, including during the process of upgrading or replacing software, databases or components, natural disasters, terrorist attacks, telecommunications failures, computer viruses, cyber-attacks, hackers, unauthorized access attempts, and other security issues. The technology security initiatives and disaster recovery plans we have implemented to address these concerns may not be adequate. Any significant failure of our systems, including failures that prevent our systems from functioning as intended, could cause loss of trade secrets, disruption to our research and development projects, transaction errors, processing inefficiencies and loss of customers and sales, and may have negative consequences on our employees and our business partners and have a negative impact on our operations or business reputation.

We are subject to, and may expend significant resources in defending against, government actions and civil claims in connection with false, fraudulent, misleading, or otherwise illegal marketing content for which we provide design or production services

Under the Advertising Law of the PRC (the “**Advertising Law**”), where an advertising operator provides advertising design, production or agency services with respect to an advertisement when it knows or should have known that the advertisement is false, fraudulent, misleading, or otherwise illegal, the competent PRC authority may confiscate the advertising operator's advertising revenue

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from such services, impose penalties, order it to cease dissemination of such false, fraudulent, misleading or otherwise illegal advertisement or correct such advertisement, or suspend or revoke its business licenses under certain serious circumstances.

Under the Advertising Law, “advertising operators” include any natural person, legal person or other organization that provides advertising design, production, or agency services to advertisers for their advertising activities. Since our solutions involve provision of design services to advertisers, we are deemed as an “advertising operator” under the Advertising Law. In addition, for advertising content related to certain types of products and services, such as alcohol, cosmetics, pharmaceuticals, and medical procedures, we are expected to confirm that the advertisers have obtained requisite government approvals, including operating qualifications, proof of quality inspection for the advertised products, government pre-approval of the content of the advertisements, and filings with the local authorities. We cannot ensure that each advertisement for which we place with our media partners complies with all PRC laws and regulations relevant to advertising activities, that supporting documentation provided by our clients is authentic or complete or that we are able to identify and rectify all non-compliances in a timely manner.

Moreover, civil claims may be filed against us or administrative penalties may be imposed on us for fraud, defamation, subversion, negligence, copyright or trademark infringement, or other violations due to the nature and content of the information for which we provide services. For example, we generally represent and warrant in our contracts with media partners as to the truthfulness of the advertising content that we place on these channels. In the event we are subject to administrative penalties or civil claims in connection with false, fraudulent, misleading, or otherwise illegal marketing content for which we provide agency services, our reputation, businesses, financial condition, results of operations and prospects may be materially and adversely affected.

We have no control over content distribution channels, and whether inappropriate content is displayed on the channels on which we place our advertisements

We enter into arrangements with media partners including online publishers and media agents to place our advertisements on content distribution channels. We have no control over the content which appears on these content distribution channels aside from our advertising tools. If inappropriate content is discovered on these channels, our advertising customers may decide to pull their advertising from our platform, and our reputation may be harmed and our business, results of operations, financial conditions and prospects could be materially and adversely affected.

The measures we implement to prevent click fraud may not be effective

In general, our interactive advertising business operates on a CPC model under which we charge our customers only if viewers interacted with our advertising tools and were directed to the mobile internet pages designated by our advertising customers. Our media partners in turn receive from us a certain percentage of the revenue we generate from the placement of advertisements on the media partner’s content distribution channel.

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In 2018, we had business relationships with over 1,400 media partners. While we make efforts to detect illegitimate clicking patterns, there is no assurance that all our media partners would not abuse our system, or that such attempts would necessarily be detected. Illegitimate or fraud clicks on our advertising would lower the return on our advertising customers' investment and hence their willingness to use our services would be adversely affected. Any of these events will impair the performance of our interactive advertising platform, reduce customer satisfaction and lead to loss of customers, which could harm our reputation and adversely affect our business, financial condition, results of operations and prospects.

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

Our revenue generated from the sales to our five largest customers in 2016, 2017 and 2018 accounted for 31.5%, 45.9% and 59.3% of our total revenue for the same periods. Revenue from the largest single customer in 2016, 2017 and 2018 accounted for 10.6%, 15.3% and 17.1% of our total revenue for the same periods. During the Track Record Period, some of our five largest customers in a certain period were no longer our five largest customers in the following periods. 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.

The results of our operations are subject to seasonal fluctuations

Our interactive advertising business is subject to seasonal fluctuations. The fourth quarter of each calendar year generally contributes the largest portion of our annual gross billing as our advertising customers tend to allocate a significant portion of their online marketing budgets to that quarter, which coincides with Chinese consumers' increased purchases around the holidays and shopping events in that quarter. The first quarter of each calendar year generally contributes a smaller portion of our annual gross billing, primarily due to a lower level of allocation of online marketing budgets by our advertising customers at the beginning of the calendar year in which the Chinese New Year holidays fall, during which time businesses in China are generally closed. Should there be any adverse change in the market condition in the fourth quarter of a year, our profitability may be adversely affected.

Regulatory or legislative developments for online businesses, including privacy and data protection regimes, are expansive, not clearly defined and rapidly evolving, and could create unexpected costs, subject us to enforcement actions for compliance failures, or restrict our business, or cause us to change our technology platform or business model

The PRC government has enacted or are considering legislation related to online businesses, including privacy and data protection rules. There may be an increase in legislation and regulation related to online advertising, the use of geo-location data, the collection and use of anonymous internet user data and unique device identifiers, such as mobile unique device identifiers, and other

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data protection and privacy regulation. These laws and regulations could adversely affect the demand for or effectiveness and value of our services, force us to incur substantial costs or require us to change our business practices in a manner that could adversely affect our business and results of operations or compromise our ability to effectively pursue our growth strategies.

We primarily target internet users in China. As a result, we may be directly or indirectly subject to the laws and regulations on online advertising, including privacy and data protection laws, in the PRC. In recent years, the PRC government has enacted legislation to protect personal information in the internet from any unauthorized disclosure. For example, the Several Provisions on Regulation of the Order of Internet Service Market (規範互聯網信息服務市場秩序若干規定), promulgated by the MIIT, stipulate that internet information service providers must not, without a user's consent, collect the user's personal information that can reveal the identity of the user whether by itself or when used in combination with other information, and must not provide any such information to third parties without prior consent from the user unless otherwise provided by laws and administrative regulations. In addition, internet information service providers shall inform their users about their service scope and shall not use users' information beyond such scope or collect any other information that is irrelevant to the services they provide.

We strive to comply with all applicable laws and regulations relating to privacy and data collection, processing, use, and disclosure. There are evolution and uncertainties regarding the PRC laws and regulations and thus the measures we take to comply with these laws, regulations and industry standards may not always be effective. In certain cases we rely on our user management SaaS customers or online publishers to provide adequate or acquire consent from end mobile app users for our use of certain user data. We may be subject to litigation or administrative penalties if we or our user management SaaS customers or online publishers fail to abide by applicable privacy laws or to provide adequate notice and/or obtain consent from end users. In addition, some of our content distribution channels require us to indemnify and hold them harmless from the costs or consequences of litigation resulting from using their networks. Any legal proceeding or perception of concerns relating to our collection, use, disclosure, and retention of data, including our security measures applicable to the data we collect could harm our reputation, force us to spend significant amounts on defense of these proceedings, distract our management, increase our costs of doing business and inhibit the use of our solutions, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Our revenue-generating ability may be negatively impacted if our customers reduce their expenditure in advertising

According to iResearch, development of China's mobile advertising market has been driven substantially by the improvement of mobile internet technology, optimization of mobile content, and increases in mobile traffic. However, there is no assurance that market conditions will remain favourable in the future and that advertisers will maintain their spending on advertising, and in particular online advertising, at a similar level or at all. In the event that advertisers reduce their spending on internet advertising, in particular interactive advertising, our interactive advertising business may suffer, which could materially and adversely affect our business, financial condition, results of operation and prospects.

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Our internal business systems and organization may not grow efficiently to meet our business expansion plans

As our customers' demand continues to grow, we will need to devote additional resources to scaling our business. In addition, we will need to appropriately scale our internal business systems and our organization, including our staff, to serve our customers' growing demand. We cannot assure you these improvements and expansions to our business systems and staff will be fully or effectively implemented on a timely basis, if at all. Even if we are able to upgrade our systems and expand our staff, such expansion may be expensive and complex and require our management's time and attention. We could also face inefficiencies or operational failures as a result of our efforts to expand business scale and staff. Any of these could impair our business performance, reduce customer satisfaction, and lead to departure of customers, which could harm our reputation and adversely affect our business, financial condition, results of operations and prospects.

Our limited insurance coverage could expose us to significant losses

We do not maintain any insurance policies covering potential losses or damages in respect of our operations. Any uninsured occurrence of including, among others, business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. The insurance industry in China is still at an early stage of development, and insurance companies in China currently offer limited business-related insurance products. As such, we may not be able to insure against certain risks related to our assets or business even if we desire to. If we were to incur substantial losses or liabilities due to fire, explosions, floods, or other natural disasters, disruption in our network infrastructure or business operations, or any material litigation, our results of operations could be materially and adversely affected. Our current insurance coverage may not be sufficient to prevent us from any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition, results of operations and prospects could be materially adversely affected.

Failure to offer high-quality customer services may damage our reputation

The success in our business and retention and expansion of our customer base depends on our ability to maintain a consistently high level of customer service, customer education, and technical support, which requires that our account servicing personnel have specific knowledge and expertise. If we are unable to hire and train a sufficient number of support staff to provide effective and timely support to our customers, our customers' satisfaction with our solutions and services may be adversely affected, resulting in reduced customer spending or departure and adversely affect our reputation and materially and adversely affect our business, results of operations, financial conditions and prospects.

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Non-compliance on the part of our business partners could adversely affect our business

Our business partners (such as user management SaaS customers, interactive advertising customers, and media partners), as well as other third parties who entered into business relationships with our business partners, may be subject to regulatory penalties or punishments because of their regulatory non-compliance, which may, directly or indirectly, disrupt our business. We cannot be certain whether such third party has infringed or will infringe on any other parties' legal rights or violate any regulatory requirements. We cannot rule out the possibility of incurring liabilities or suffering losses due to any non-compliance by third parties. For example, we may be implicated and our reputation may be damaged if any of our advertising customers is found to have been involved in placing illegal advertising contents, whether or not such contents were placed through our interactive advertising platform.

We cannot assure you that we will be able to identify irregularities or non-compliances in the business practices of our business partners or other third parties, or that such irregularities or non-compliance will be corrected in a prompt and proper manner, or at all. The legal liabilities and regulatory actions on our business partners may affect our business activities and reputation, and may in turn affect our results of operations.

We may not be able to adequately protect our intellectual property and know-how

Our success depends on our proprietary technologies that are crucial to our business. We have registered a portfolio of trademarks, software copyrights, and works' copyrights to protect our technologies and certain of our brand names in China. See "Business—Intellectual Property" for further details of our intellectual property rights.

However, not all our brand names are registered as trademarks in China. We have been advised by our PRC legal advisor on intellectual property law, Corner Stone & Partners, that in order to gain effective legal protection of our trade names including "兑吧" (Duiba) and "推啊" (Tuia), we should apply for trademark registration under classes 35 (which generally covers advertising) and 42 (which generally covers technological services). While our "兑吧" (Duiba) mark has been registered as a class 42 trademark in China, our trademark application for "兑吧" (Duiba) under class 35, as well as the applications for "推啊" and "T推" (Tuia) under classes 35 and 42 were under review by the relevant authorities in China as of the Latest Practicable Date. We may not be successful in registering these trademarks. As a result, we may not be able to effectively protect ourselves from unauthorized use of our brand names by third parties, which could have an adverse effect on our brand names and reputation. See "Business—Intellectual Property—Our Duiba and Tuia Trademarks" for details.

In addition, seeking software copyrights protection can be lengthy and costly, and there is no assurance that our applications will result in successful registration. As of the Latest Practicable Date, we had registered 39 software copyrights, which are primarily used in our user management SaaS and interactive advertising platforms. However, our existing or future software copyrights and other intellectual property rights may be insufficient to provide us with meaningful protection or commercial advantages.

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Our intellectual property rights may also be challenged, invalidated, or circumvented. Our competitors may have made substantial investments in competing technologies and may have, or may be able to develop, products that compete directly with our solutions despite our intellectual property rights.

We rely on confidentiality agreements with employees to protect our proprietary technologies and trade secrets. If our employees breach their confidentiality obligations and disclose our technologies or trade secrets to our competitors or make unauthorized use of our technologies or trade secrets, our business could be materially and adversely affected.

Although we are not aware of any instances of third party infringement of our intellectual property, we cannot assure you that there will not be any such infringements of intellectual property rights. The enforcement of intellectual property laws in China has historically been deficient and ineffective, mainly due to the ambiguities in laws, low damage awards and low rates of criminal penalties against the parties that have committed the intellectual property infringements.

We may be subject to intellectual property infringement claims, which could be time consuming and costly to defend

Our previous trademark applications for “**Duiba**” under class 35 and for “**Tuia**” under classes 35 and 42 were rejected by the relevant authorities on the ground that there existed earlier trademarks purported to be similar and/or identical to our marks. As of the Latest Practicable Date, we had not registered such trademarks under the relevant classes. We have been advised by our PRC legal advisor on intellectual property law, Corner Stone & Partners, that we are subject to risks that the relevant registered trademark owners may commence legal actions against us for trademark infringement. If the court ruled against us in any trademark infringement claims, we could be required to cease any infringing act and/or to compensate the claimant for its actual loss. See “Business—Intellectual Property—Our Duiba and Tuia Trademarks” for details.

We have not encountered any material legal claims relating to any intellectual property rights held by third parties during the Track Record Period and up to the Latest Practicable Date. However, there is no guarantee that third-party right holders will not assert intellectual property infringement or other related claims against us in the future. Defending intellectual property litigation is costly and can impose a significant burden on our management and employees, and there can be no assurances that favorable final outcomes will be obtained in all cases. Such claims, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to our platform to reduce the risk of future liability, may have a material adverse effect on our business, financial condition, results of operations and prospects.

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

We have devoted substantial resources to the development of our technology and know-how. Although we enter into employment agreements with confidentiality and intellectual property ownership clauses with our employees, we cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach, or that our proprietary technology, know-how or other intellectual property will not otherwise become known to third parties. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any proprietary rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights and failure to obtain or maintain trade secret protection could adversely affect our competitive position.

If we are unable to attract, train and retain qualified personnel, our business may be materially and adversely affected

Our existing operations and future growth require a sizeable and competent workforce. For example, we have invested heavily in constructing technology platforms and in building experienced technical teams. The effective operation of our customer service, legal, financial, and other functions also depends in part on our employees. Our future success depends, to a significant extent, on our ability to attract, train, and retain qualified personnel, particularly management, technical, and marketing personnel with expertise in the internet industry; inability to do so may materially and adversely affect our business, financial condition, results of operations and prospects.

Our industry is characterized by high demand and intense competition for talent. In order to retain talents, we may need to offer higher compensation, better training, and more attractive career opportunities and other benefits to our employees, which may be costly and burdensome. We cannot assure you that we will be able to attract or retain a qualified workforce necessary to support our future growth. We may also fail to manage our relationship with our employees, and any disputes between us and our employees, or any labor-related regulatory or legal proceedings may divert management and financial resources, negatively impact staff morale, reduce our productivity, or harm our reputation and future recruiting efforts. In addition, our ability to train and integrate new employees into our operations may not meet the increasing demands of our business. Any of the above issues related to our workforce may materially adversely affect our operations and future growth.

Our success depends on the market recognition of our services and we could be adversely affected by negative publicity

We rely on the market recognition of our services. We believe that business growth depends heavily on the customers' perception of us and we anticipate that we will continue to rely on market recognition of our services in our future business. If we fail to promote our business or to maintain or enhance the recognition and awareness of our business among our customers, or if we are subject to incidents or allegations adversely affecting our image or our publicly perceived position, our business, results of operations, financial conditions and prospects could be adversely affected.

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Misconduct of our personnel could harm our reputation and business

Misconduct of our personnel could result in violation of laws by us, regulatory sanctions against us, and material reputational or financial harm. Such misconduct includes conducting unauthorized or unsuccessful activities resulting in unknown and unmanaged risks or losses, improperly using or disclosing confidential information, engaging in fraudulent acts or otherwise not complying with laws or our internal control procedures. We cannot assure you that there will not be any misconduct of our personnel, and the precautions we take to prevent and to detect such activity may not be effective in all cases. We could also suffer from adverse publicity, reputational damage or litigation losses that may arise from the misconduct by our personnel, which may have a material adverse effect on our business, financial condition and results of operations.

In addition, we are vulnerable to adverse market perception as we operate in an industry where integrity, customer trust, and confidence are critical. Litigation and disputes, misconduct of our personnel, changes in senior personnel, customer complaints, outcome of regulatory investigations or penalties on us may harm our reputation. Any harm to our reputation may cause our existing and potential customers to be reluctant to procure services from us in the future and therefore may have a material adverse impact on our business, results of operations, financial conditions and prospects.

We may fail to comply with legal or regulatory requirements or to obtain or adhere to requirements under relevant licenses or permits

Our business operations are subject to legal and regulatory requirements. See “Regulatory Overview” for further information about the legal and regulatory requirements to which we are subject. Loss of or failure to renew or obtain necessary permits, licenses, registrations, or certificates could delay or prevent us from meeting customers’ demand or introducing new products and could materially and adversely affect our operating results. If we are found to be in violation of applicable laws and regulations, we could be subject to civil remedies, including fines, injunctions, asset seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. In addition, future material changes in industry standards, laws, and regulations could result in increased operating costs or affect our ordinary operations, which could also have a material adverse effect on our business, financial condition, results of operations and prospects.

The discontinuation of any of the preferential tax treatments that we enjoy or imposition of any additional taxes could materially affect our net profit

The enterprise income tax rate generally applicable in China has been 25% since January 1, 2008 pursuant to the EIT Law. HZ Duiba and HZ Tuia, our principal PRC operating subsidiaries, meet the qualifications for Software Enterprises and are exempted from income tax for two years starting from the first year in which they generate taxable profit, followed by a 50% reduction for the next three years. 2017 was the first profitable year for HZ Duiba and HZ Tuia. HZ Duiba qualified as a High and New Technology Enterprise and was subject to a preferential income tax rate of 15% for 2016. See “Financial Information—Principal Components of Consolidated Statements of Profit or Loss—Income Tax Expense/Credit” for details about such tax benefits.

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In 2017 and 2018, the effect of preferential lower tax rates to which we were entitled reduced our tax charge by RMB28.2 million and RMB14.0 million, respectively.

The qualifications of a High and New Technology Enterprise and a Software Enterprise are 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 subsidiaries will be able to maintain or renew such qualification. Failure to maintain or renew such qualification would prevent our subsidiaries from enjoying the preferential tax treatments and if this happens, or if the favorable tax policies available to our subsidiaries are withdrawn or revoked by the relevant PRC authorities or become less favorable, our subsidiaries may be subject to EIT rate of 25%, which would materially and adversely affect our net profit and reduce our profitability.

Our non-compliance with certain laws and regulations regarding certain employee social welfare schemes in the PRC could lead to the imposition of fines and penalties on us

We are required to make contributions to certain employee social welfare schemes, including social insurance and housing provident fund contributions in the PRC. During the Track Record Period, the salary bases on which our PRC subsidiaries made such contributions did not fully comply with the legal requirements. See “Business—Employees—Employee Social Welfare Schemes” for details.

The aggregate unpaid amounts by our Group to the social insurance authority as of December 31, 2016, 2017 and 2018 were approximately RMB4.9 million, RMB13.8 million and RMB25.9 million, respectively, and the aggregate unpaid amounts by our Group to the housing provident fund management centre as of December 31, 2016, 2017 and 2018 were approximately RMB2.5 million, RMB6.6 million and RMB10.8 million, respectively.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), employers who failed to contribute promptly social insurance contributions in full amount may be ordered by the social insurance contributions collection agency to make or supplement contributions within a stipulated period, and may be subject to a late payment fine computed from the due date at the rate of RMB0.05 per day; where payment is not made within the stipulated period, the relevant administrative authorities may impose a fine ranging from one to three times the amount in arrears.

According to the Regulations on Management of Housing Provident Fund (住房公積金管理條例), where an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the housing provident fund management centre shall order it to make the payment and deposit within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people’s court for compulsory enforcement.

Therefore, we may be subject to fines and compulsory enforcement in respect of the overdue contributions if we are charged by the relevant authorities.

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Our financial results for the year ending December 31, 2019 may be affected by fair value changes in the redeemable preference shares we issued

We incurred net losses of RMB87.4 million and RMB291.6 million in 2016 and 2018, respectively. Furthermore, as of December 31, 2018, we had accumulated losses of RMB337.2 million, mainly because we incurred fair value losses on redeemable preference shares, which are designated as financial liabilities at fair value through profit or loss, and are initially recognized at fair value. The increases in their fair value are recognized as a fair value loss, which is a non-cash item that will not recur in financial years after the Listing, as the redeemable preference shares issued by us will be converted into Ordinary Shares immediately prior to the Share Subdivision and the Listing. We expect that the fair value losses of financial liabilities at fair value through profit or loss will adversely affect our financial results for the financial year ending December 31, 2019. As of December 31, 2018, we had financial liabilities at fair value through profit or loss of RMB1,151.4 million. We have used the market approach to determine such fair value based in part on the value as reflected in our equity financing activities, and have adopted a number of valuation assumptions. Hence, the amount of fair value losses we will recognize for the financial year ending December 31, 2019 is subject to uncertainties in accounting estimation of financial liabilities at fair value through profit or loss as the valuation of these items requires the use of unobservable inputs, such as equity volatility. See Note 23 to the Accountants' Report included in Appendix I to this prospectus for details.

In addition, the accumulated losses due to the fair value loss of our redeemable preference shares accrued prior to their conversion into Ordinary Shares will remain notwithstanding their conversion prior to the Listing.

Our historical profitability was affected by gains from changes in fair value of financial assets at fair value through profit or loss which may not recur in the future

In 2016, 2017, and 2018, we recognized gains of RMB0.1 million, RMB0.5 million, and RMB2.1 million, respectively, from changes in fair value of financial assets at fair value through profit or loss.

Our financial assets at fair value through profit or loss represent the financial products in which we invested. These investments include certain low-risk wealth management products, bonds and funds issued by financial institutions in the PRC. The fair values of the investments either approximate to their carrying values, or, where available, were derived from quoted price in an active market. Our financial assets at fair value through profit or loss were RMB24.8 million, RMB224.9 million and RMB426.2 million as of December 31, 2016, 2017 and 2018, respectively.

Neither the expected return nor the principal amount in respect of financial products is guaranteed by financial institutions. Changes in fair value of financial assets at fair value through profit or loss depend on factors including market conditions which are beyond our control. We cannot assure you that gains from changes in fair value of financial assets at fair value through profit or loss will recur, or that we will not incur loss on the financial products in the future.

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We may not be able to obtain additional funding on acceptable terms or at all, which may affect our ability to expand our business or meet unforeseen contingencies

We may need additional funding to fund our operations or expansion plans. Our expansion plans may change due to changing circumstances or unforeseen contingencies. Any change in our expansion plans may require us to obtain additional external debt or equity financing. If we are unable to obtain such financing, or are unable to obtain such financing in a timely manner on commercially acceptable terms, we may not be able to expand our business and our operations may be adversely affected. The availability of external funding is subject to various factors, including government approvals, prevailing capital market conditions, credit availability, interest rates, and our business performance, some of which are beyond our control. Our inability to procure additional financing in a timely manner on terms commercially acceptable to us could materially and adversely affect our business, results of operations financial conditions and expansion plans.

We may have net cash outflow from operating activities in the future

In 2018, we had net cash flows used in operating activities amounting to RMB7.4 million. This was mainly attributable to an increase in trade receivables of RMB101.1 million mainly because in the last two months of 2018, in order to fulfil the increasing demand from an e-commerce advertiser during the peak season, we granted this customer (under the CPC pricing model) a short-term credit of 30 to 60 days. We cannot ensure you that we will not have similar net cash outflows used in operating activities due to the credit term we grant to quality and strategic customers or otherwise as we continue to grow our business. If we have net cash flows used in operating activities in the future, it will reduce our available cash balance on hand and we may need to secure funds from external sources such as equity raising or borrowing, the success of which will depend on various factors, which are outside of our control. If we cannot successfully source additional funds to address potential net cash flows used in operating activities, we may face liquidity issue and our business, results of operations and financial condition may be materially and adversely affected.

Our operations may be interrupted by operation difficulties due to mechanical failures, utility shortages or stoppages, extreme weather conditions, acts of God or other calamities at or near our facilities, which are beyond our control, and in turn could have a material adverse effect on our business, results of operations and financial condition

As of the Latest Practicable Date, we leased 20 properties in the PRC. See “Business—Properties” for further details of our properties. Material damage to any of our significant leased properties due to acts of God, acts of war, terrorist attacks, disasters or other causes, such as extreme weather conditions, floods, fires, earthquakes, workforce actions, riots and other disruptions such as mechanical failures and utility shortages or stoppages will disrupt our operation activities. Any such disruption in our operation activities could have an adverse impact on our ability to meet the customers’ demand, that could materially and adversely impair our business and financial condition that we cannot currently predict. Such damage may not be adequately covered by proceeds of our insurance coverage, if any, and could materially and adversely affect our business, results of operations, financial conditions and prospects.

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

Immediately following the Global Offering, our Controlling Shareholders will hold in aggregate approximately 40.91% of our Shares, assuming the Over-allotment Option is not exercised. Our Controlling Shareholders will, through their voting power at the shareholders meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in PRC economic, political, and social conditions, as well as government policies may have an adverse effect on us

We conduct virtually all our operations in the PRC. Accordingly, PRC economic, political, and social conditions, as well as government policies significantly affect our business, financial condition, results of operations, and prospects. The PRC economy differs from the economies of most developed countries in many respects, including the structure, degree of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources. While the Chinese economy has experienced significant growth in the past decades, growth has been uneven both geographically and across different sectors. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. During the past decades, the PRC government has implemented economic reform measures to emphasize the utilization of market forces in economic development. Going forward, the PRC government will deepen economic reform and may, from time to time, formulate and implement various reform policies and measures to regulate and control the economy. While some of these measures benefit the overall PRC economy, they may adversely affect us. For example, our financial condition and results of operations may be adversely affected by government control over the internet or changes in tax regulations applicable to us. In addition, there are uncertainties as to whether the various reform measures taken by the PRC government can achieve the desired results. The PRC political and social conditions may also have an impact on the implementation of the country's economic reform. Any adverse change in the economic, political and social conditions as well as government policies in the PRC laws, regulations and policies could materially and adversely affect the PRC overall economic growth, and hence, a reduction in demand from advertisers. In addition, our ability to expand our business operations in the PRC depends on a number of factors, including macro-economic and other market conditions and credit availability from lending institutions.

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The PRC government has recently articulated the need to control economic growth, and to limit inflation. The PRC government implemented a series of macro-economic policies which included raising the benchmark interest rates, increasing People's Bank of China (the "PBOC") statutory deposit reserve ratio and imposing commercial bank lending guidelines that had the effect of restricting loans to certain industries. Certain of these macro-economic policies and stricter lending policies in the PRC may have a material adverse effect on our results of operations, financial condition and our ability to obtain financing, thus reducing our ability to implement our expansion strategies. We cannot assure you that the PRC government will not implement any additional measures to tighten lending, or that, if any such measure is implemented, it will not have a material adverse effect on our future results of operations or profitability. Furthermore, we cannot assure you that our historical economic and market conditions will continue, or that we will be able to sustain our growth.

Government control of currency conversion may limit our ability to use capital effectively and could negatively affect our financial condition, operations, and our ability to pay dividends, affect the value of our net assets, earnings, and dividends in foreign currency terms

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of money out of China. We receive substantially all our revenue in Renminbi. Under our current structure, our Company's income is to a significant extent derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currencies may restrict the ability of our PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations, if any. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Under existing PRC foreign exchange regulations, payment of certain current account items can be made in foreign currencies without prior approval from the local branch of the SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currencies and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

The legal system of the PRC is not fully developed, and there are inherent uncertainties which may affect the protection afforded to our business and our Shareholders

Most of our business and operations are governed by the legal system of the PRC. The PRC legal system is based on written statutes and their interpretations by the Standing Committee of the National People's Congress. Prior court decisions may be used for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations that had the effect of enhancing the protections afforded to corporate organizations and their governance, as well as various forms of foreign investments in the PRC. However, since these laws and regulations are relatively new and as the PRC legal system continues to evolve rapidly, the interpretation and

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enforcement of these laws, regulations and rules involves significant uncertainty and different degrees of inconsistency, limiting potentially the available legal protections to our business operations. In addition, PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms. Therefore, it is difficult to evaluate the outcome of administrative and court proceedings and the actual level of legal protection we enjoy. These uncertainties may affect our judgment on the relevance of legal requirements and our decisions on the measures and actions to be taken to comply therewith, and may affect our ability to realize our rights under laws in connection with contract or tort. Further, we cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-exemption of local regulations by national laws. We cannot therefore assure that we will enjoy the same level of legal protection in the future, nor such new laws and regulations will not affect our operations, causing adverse effects on our financial condition and results.

It may be difficult to effect service of process or to enforce foreign judgments in the PRC. Most of our assets are located in the PRC. Investors may encounter difficulties in effecting service of process from outside the PRC upon us or most of our Directors and officers

Most of our assets and subsidiaries are located in the PRC. The majority of our Directors and senior management reside in the PRC and their assets may also be substantially located in the PRC. Accordingly, it may not be possible for investors to effect service of process from outside the PRC upon us or these persons or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands, the United States, the United Kingdom, Japan, and many other developed countries. Therefore, the recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult or even impossible.

We may be deemed to be a PRC tax resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income

We are a holding company incorporated in the Cayman Islands. However, under the EIT Law, which was amended on February 24, 2017 came into effect on the same date, enterprises organized under the laws of jurisdictions outside the PRC with their “de facto management bodies” located within the PRC may be considered “PRC tax resident enterprises” and subject to a uniform 25% PRC income tax on their worldwide income. The implementation rules to the EIT Law define the term “de facto management body” as body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise.

The SAT issued the Notice on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management (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) and the Administrative Measures on the Corporate 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)) in April 2009 and

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July 2011, respectively, which set out certain criteria for specifying what constitutes a “de facto management body” in respect of enterprises that are established offshore by PRC enterprises. However, no such criteria are provided in these or other publications by the SAT in respect of enterprises established offshore by private individuals or foreign enterprises like us.

As a result, it is unclear whether we will be deemed to be a “PRC tax resident enterprise” for the purpose of the EIT Law even though a significant portion of our operational management is currently based in the PRC. We are currently not treated as a PRC resident enterprise by the relevant tax authorities. Nonetheless, we cannot assure you that we will not be treated as a PRC resident enterprise under the EIT Law and not be subject to the EIT rate of 25% on our global income in the future. If we were treated as “PRC tax resident enterprise”, we would be subject to PRC income taxes on our worldwide income, which may adversely affect our profitability and distributable profit to our Shareholders.

Gains on the sale of Shares and dividends on the Shares may be subject to PRC income taxes

Under the EIT Law, PRC withholding tax at the rate of 10% is applicable to dividends payable by “PRC tax resident enterprises” to investors that are “non-PRC residents”, that is, investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their source within the PRC. Similarly, any gain realized on the transfer of shares of “PRC tax resident enterprises” by such investors is also subject to PRC income tax, usually at rate of 10% unless otherwise reduced or exempted by relevant tax treaties or similar arrangements, if such gain is regarded as income derived from sources within the PRC.

We are a holding company incorporated in the Cayman Islands and substantially all of our operations are in the PRC. There is uncertainty whether we will be considered a “PRC tax resident enterprise” for the purpose of the EIT Law. As a result, it is unclear whether dividends paid on our Shares, or any gain realized from the transfer of our Shares, would be treated as income derived from sources within the PRC and would as a result be subject to PRC income tax. If we are considered a “PRC tax resident enterprise”, then any dividends paid to our Shareholders that are “non-PRC residents” and any gains realized by them from the transfer of our Shares may be regarded as income derived from PRC sources and, as a result, would be subject to a 10% PRC income tax, unless otherwise reduced or exempted. If we are considered a “PRC tax resident enterprise”, it is unclear whether our Shareholders would be able to claim the benefit of income tax treaties or agreements entered into between PRC and other countries or regions. If dividends payable to our non-PRC Shareholders that are “non-PRC residents”, or gains from the transfer of our Shares are subject to PRC tax, the value of such non-PRC Shareholders’ investment in our Shares may be materially and adversely affected.

The Chinese tax authorities have strengthened their scrutiny over transfers of equity interests in a PRC-resident enterprise by a non-resident enterprise, which may negatively affect our business and our ability to conduct mergers, acquisitions, or other investments

On February 3, 2015, the SAT issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財

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產企業所得稅若干問題的公告) (“Circular 7”). On October 17, 2017, SAT issued the Announcement on Issues concerning the Withholding of Enterprise Income Tax at Source on Non-Resident Enterprises (關於非居民企業所得稅源泉扣繳有關問題的公告) which came into effect on December 1, 2017, which provides that the income from property transfer means the consideration collected by the equity transferor from the transfer of equities, including all kinds of monetary and non-monetary income. Income from equity transfer shall include the income from the transfer of equities and equity investment assets (hereinafter referred to as “equities”). The balance after deducting the net value of equities from the income from equity transfer is the taxable income from equity transfer. Circular 7 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities’ scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (“PRC Taxable Assets”). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose than to evade enterprise income tax, Circular 7 allows the Chinese tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise a 10% rate of PRC enterprise income tax. Circular 7 exempts this tax, for examples, (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company in the public market, and (ii) where a non-resident enterprise transfers PRC Taxable Assets that it directly holds and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. It remains unclear whether any exemptions under Circular 7 will be applicable to any future mergers, acquisitions or other investments that we may make outside China involving PRC Taxable Assets or to transfers of our Shares by our Shareholders. If the Chinese tax authorities impose PRC enterprise income taxes on these activities, our ability to expand our business or seek financing through these transactions may be adversely affected.

We rely on future dividends to be paid by our subsidiaries for our cash needs, and limitations under the PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilize such funds

Our Company is a holding company incorporated in the Cayman Islands and a significant portion of our operations is conducted through our subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders and to service any of our indebtedness depends on dividends received from these subsidiaries. If our subsidiaries incur any debt or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends or other distributions and to service our indebtedness will be restricted.

PRC law requires that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRS. PRC law also requires foreign invested enterprises, such as our subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends.

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RISKS RELATING TO THE GLOBAL OFFERING

An active trading market in our Shares may not develop, which could have a material adverse effect on the Share price and your ability to sell your Shares

Prior to the Global Offering, there was no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Joint Global Coordinators on behalf of the Underwriters and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering.

The liquidity and market price of our Shares may be volatile, which may result in substantial losses for subscribing for or purchasing our Shares under the Global Offering

The price and trading volume of our Shares may be volatile as a result of the following factors, as well as others, which are discussed in “Risk Factors” or elsewhere in this prospectus, some of which are beyond our control:

- actual or anticipated fluctuations in our results of operations;
- news regarding recruitment or loss of key personnel by us or our customers;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- changes in general economic conditions or other developments affecting us or our industry;
- price movements on international stock markets, the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding Shares or sale or perceived sale of additional Shares by us, the Controlling Shareholders or other Shareholders.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. Any such developments may result in large and sudden changes in the trading volume and price of our Shares. We cannot assure you that these developments will not occur in the future.

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Future issues, offers, or sale of our Shares may adversely affect the prevailing market price of our Shares

Future issues of the Shares by our Company or the disposal of the Shares by any of our Shareholders or the perception that such issues or sale may occur, may negatively affect the prevailing market price of the Shares. Moreover, future sale or perceived sale of a substantial amount of our Shares or other securities relating to our Shares in the public market may cause a decrease in the market price of our Shares, or adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. Our Shareholders may experience dilution in their holdings in the event we issue additional securities in future offerings. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for a period of up to 12 months after the Listing Date. Details of such lock-up undertakings are set out in “Underwriting—Underwriting Arrangements and Expenses”. We cannot give any assurance that they will not dispose of their Shares they may own now or in the future.

The market price of our Shares when trading begins could be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins

The Offer Price will be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be on the fourth Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer 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 between the time of sale and the time trading begins.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law, and these laws relating to the protection of interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions

Our corporate affairs are governed by our Articles of Association, the Cayman Companies Law, and the common law of the Cayman Islands. The rights of shareholders to take action against directors, the rights of minority shareholders to institute actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of 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, but not binding, 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 not be the same as they would be under statutes or judicial precedent in Hong Kong. In particular, the Cayman Islands have different securities laws as compared to Hong Kong and may not provide the same protection to investors. Furthermore, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in a Hong Kong court.

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

There may be coverage in the media regarding the Global Offering and our operations. There had 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, which contains, among other matters, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness, or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should read the entire prospectus carefully and should not rely on any of the information in press articles or other media coverage. Prospective investors should only rely on the information contained in this prospectus and the Application Forms to make investment decisions about us.

We may be unable to declare dividends on our Shares in the future

The amount of dividends actually distributed to our Shareholders will depend on 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 that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has the absolute discretion to recommend any dividends. See "Financial Information—Dividend".

Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. Our future payments of dividends will be at the absolute discretion of our Board. We cannot assure you when or whether we will pay dividends in the future.

Certain statistics and industry information in this prospectus may not be accurate and reliable

Certain facts, statistics and data in this prospectus are derived from various sources including various official government sources that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While our Directors have taken reasonable care in extracting and reproducing the information, they have not been prepared or independently verified by us or any of the Relevant Persons. Therefore none of them makes any representation as to the accuracy or completeness of such facts, statistics and data. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice, and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that state our intentions, beliefs, expectations or predictions for the future that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our operations and business prospects,
- our strategies, plans and goals and our ability to implement such strategies, plans and goals,
- general political and economic conditions in China,
- the development of the mobile internet market and mobile app market in China,
- future developments, competition, trends, regulatory environment and conditions in and technology affecting the user management SaaS industry, the interactive advertising industry and other industries we plan to operate in China,
- our dividend policy,
- projects under development,
- our future capital needs and capital expenditure plans,
- capital markets developments,
- volumes, operations, margins, overall market trends and risk management,
- other statements in this prospectus that are not historical fact,
- exchange rate fluctuations and developing legal system, in each case pertaining to China and the industry and markets in which we operate,
- financial condition and performance,
- macroeconomic measures taken by China to manage economic growth, and
- other factors beyond our control.

FORWARD-LOOKING STATEMENTS

When used in this prospectus, the words “will”, “would”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “plan”, “aim”, “continue”, “intend”, “may”, “predict”, “potential”, “seek”, “should”, “prospects”, “going forward” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out above. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Hong Kong Stock Exchange.

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:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Our business operations are located in the PRC. Due to the business requirements of our Group, we expect that we will not have at least two executive Directors to be ordinarily resident in Hong Kong after Listing.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Hong Kong Stock Exchange, we have or will continue to put in place the following measures to ensure that regular communication is maintained between the Hong Kong Stock Exchange and us:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange. The two authorized representatives are Mr. Chen Xiaoliang, an executive Director, and Ms. Ng Ka Man, one of our joint company secretaries. The authorized representatives will provide their usual contact details to the Hong Kong Stock Exchange and will be readily contactable by telephone, facsimile and email by the Hong Kong Stock Exchange, if necessary, to deal with enquiries from the Hong Kong Stock Exchange from time to time;
- (b) each of the authorized representatives has the means to contact all the Directors (including the INEDs) promptly at all times, as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters;
- (c) all the Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and would be able to come to Hong Kong and meet with the Hong Kong Stock Exchange upon reasonable notice;
- (d) Sinolink Securities (Hong Kong) Company Limited, our compliance advisor, will act as an additional channel of communication with the Hong Kong Stock Exchange; and
- (e) each Director will provide his respective mobile phone number, office phone number, email address and fax number to the Hong Kong Stock Exchange.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Hong Kong Stock Exchange:

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

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Hong Kong Stock Exchange considers when assessing an individual's "relevant experience" which are as follows:

- (a) length of employment with the issuer and other issuers and the roles he played,
- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Hong Kong Companies Ordinance, the 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.

We have appointed Mr. Wang Saibin as one of our joint company secretaries. He joined our Group in April 2018 and is our finance manager, and has over four years of experience in accounting-related matters. For more background information on Mr. Wang Saibin, see "Directors and Senior Management". Mr. Wang Saibin, however, does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. Wang Saibin will endeavor to attend relevant training courses to enable him to acquire a good understanding of the relevant Hong Kong laws and regulations, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organized by our Company's Hong Kong legal advisors on an invitation basis and seminars organized by the Hong Kong Stock Exchange for listed issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules,

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- we have appointed Ms. Ng Ka Man, who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as one of our joint company secretaries to work closely with and to provide assistance to Mr. Wang Saibin in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Wang Saibin to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as company secretary, and
- before the end of the aforesaid three-year period, the qualifications and experience of Mr. Wang Saibin will be re-evaluated, Mr. Wang Saibin is expected to demonstrate to the Hong Kong Stock Exchange's satisfaction that he, having had the benefit of Ms. Ng Ka Man's assistance for three years from the Listing Date, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules; if such requirements cannot be satisfied, we will employ a suitable candidate who will be able to comply with the requirements under Rule 8.17 of the Listing Rules as secretary of our Company.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Such waiver will be revoked immediately if and when Ms. Ng Ka Man ceases to provide such assistance. We will liaise with the Hong Kong Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Wang Saibin, having had the benefit of Ms. Ng Ka Man's assistance for three years, will have acquired relevant experience within the meaning of the Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our 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.

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong 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 authorized 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 authorized by our Company or the Relevant Persons.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Global Coordinators (for and on behalf of the Underwriters) and us on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Purchasers subject to the terms and conditions of the International Purchasing Agreement, which is expected to be entered into on or about the Price Determination Date.

The Offer Price is expected to be fixed among the Joint Global Coordinators (for and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, April 29, 2019 and, in any event, not later than Sunday, May 5, 2019 (unless otherwise determined between the Joint Global Coordinators (for and on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company on or before Sunday, May 5, 2019, the Global Offering will not become unconditional and will lapse immediately.

Please refer to “Underwriting” for further information about the Underwriters and the underwriting arrangements.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set out in “How to Apply for Hong Kong Offer Shares” and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering”.

SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by their acquisition of Offer Shares to, confirm that they are aware of the restrictions on offers for the Offer Shares described in this prospectus and on the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the Application Forms 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 circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. 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 authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and any Shares which may be issued pursuant to the exercise of the Over-Allotment Option and any options which may be granted under the Share Option Scheme.

Except for the application for the Listing of our Shares on the Hong Kong Stock Exchange, no part of our equity or debt securities is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought in the near future.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-Allotment Option and Stabilization are set out in “Structure of the Global Offering”.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board of the Hong Kong Stock Exchange are expected to commence on Tuesday, May 7, 2019. The Shares will be traded on the Main Board of the Hong Kong Stock Exchange in board lots of 400 Shares each. The stock code of the Shares will be 1753.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and compliance 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 Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange 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.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER

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

Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

TAXATION OF HOLDERS OF OUR SHARES

Hong Kong

Dealings in Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Cayman Islands

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.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that none of us or the Relevant Persons accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding, or disposal of the Shares.

EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains certain translations for the convenience of the reader at the following rates:

HK\$1 to RMB0.8569

US\$1 to RMB6.7220

US\$1 to HK\$7.8448

These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB, US\$ or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

TRANSLATION

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. If there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

See “Directors and Senior Management” for further information on our Directors.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Chen Xiaoliang (陳曉亮)	Room 301, Unit 2 Building 4, Zhijingyuan Xixichengyuan, Xihu District Hangzhou City Zhejiang Province China	Chinese
Mr. Fang Hua (方華)	No. 335, Tiyuchang Road Xiacheng District Hangzhou City Zhejiang Province China	Chinese
Mr. Xu Hengfei (徐恒飛)	Room 203, Building 15 Huichun Road, Fuchun Street Fuyang District, Hangzhou City Zhejiang Province China	Chinese
Mr. Zhu Jiangbo (朱江波)	No. 4, Zhujiamen Tang Village, Dian Street Chongfu Town Tongxiang City Zhejiang Province China	Chinese
Non-executive Directors		
Mr. Huang Tao (黃韜)	Room 8K, Lanxinyuan No. 2010, Wenjin Middle Road Luohu District, Shenzhen Guangdong Province China	Chinese
Mr. Sun Qiang Chang (孫強)	Flat A 49/F Tower 7 Bel-Air on the Peak 68 Bel-Air Peak Avenue Cyberport Hong Kong	Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
INEDs		
Mr. Kam Wai Man (甘偉民)	Flat 2012, 20/F Ching Shing Court Tsing Yi, New Territories Hong Kong	Hong Kong
Dr. Ou-Yang Hui (歐陽輝)	Unit B, 11/F Tower 5, One Silversea No. 18 Hoi Fai Road, Kowloon Hong Kong	American
Dr. Gao Fuping (高富平)	Room 2405, No. 2 Lane 1278 Wanhangdu Road Changning District Shanghai China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

HSBC Corporate Finance (Hong Kong) Limited

1 Queen's Road Central
Hong Kong

Joint Global Coordinators

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road Central
Hong Kong

BOCI Asia Limited

26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

AMTD Global Markets Limited

23/F - 25/F, Nexxus Building
41 Connaught Road Central
Hong Kong

ABCI Capital Limited (as a Joint Bookrunner)

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

ABCI Securities Company Limited (as a Joint Lead Manager)

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

Guotai Junan Securities (Hong Kong) Limited

27/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Co-manager

Zhongtai International Securities Limited

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

Legal Advisors to our Company

as to Hong Kong and U.S. laws:

Allen & Overy

9/F, Three Exchange Square
Central
Hong Kong

as to Cayman Islands law:

Conyers Dill & Pearman

P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

as to PRC law:

Jingtian & Gongcheng

45/F, K. Wah Centre
1010 Huaihai Road (M)
Xuhui District
Shanghai 200031
China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

as to certain PRC trademark matters:

Corner Stone & Partners

B-1905, TYG Centre
No. 2, 3rd Ring Road
Chaoyang District
Beijing 100027
China

**Legal Advisors to the Joint Sponsors
and the Underwriters**

as to Hong Kong and U.S. laws:

Herbert Smith Freehills

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

as to PRC law:

Commerce & Finance Law Offices

6/F, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District, Beijing
China

Auditors and Reporting Accountants

Ernst & Young

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Independent Industry Consultant

Shanghai iResearch Co., Ltd.

Room 701, Tower B, CCIG International Plaza
333 North Caoxi Road
Xuhui District, Shanghai
China

Receiving Bank

CMB Wing Lung Bank Limited

45 Des Veaux Road Central
Central
Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal Place of Business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Principal Place of Business in China	Room 702, Shuyu Building 98 Wenyi West Road Xihu District Hangzhou China
Company's Website	http://www.duiba.cn <i>(The information on the website does not form part of this prospectus)</i>
Joint Company Secretaries	Mr. Wang Saibin Room 702, Shuyu Building 98 Wenyi West Road Xihu District Hangzhou China Ms. Ng Ka Man, <i>HKICS, ICSA</i> 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorized Representatives	Mr. Chen Xiaoliang Room 702, Shuyu Building 98 Wenyi West Road Xihu District Hangzhou China Ms. Ng Ka Man 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong

CORPORATE INFORMATION

Audit Committee	Mr. Kam Wai Man (<i>chairman</i>) Dr. Ou-Yang Hui Dr. Gao Fuping
Remuneration Committee	Dr. Ou-Yang Hui (<i>chairman</i>) Dr. Gao Fuping Mr. Kam Wai Man Mr. Zhu Jiangbo
Nomination Committee	Mr. Chen Xiaoliang (<i>chairman</i>) Dr. Ou-Yang Hui Dr. Gao Fuping Mr. Kam Wai Man
Compliance Advisor	Sinolink Securities (Hong Kong) Company Limited Units 2503, 2505-06, 25/F Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong <i>A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO</i>
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Share Registrar and Transfer Office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal Bank	Hua Xia Bank (Hi-tech Branch) No. 123, Wenyi Road Xihu District Hangzhou China

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 Relevant Persons other than 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 an independent provider of online user data and consumer insights in China. Headquartered in Beijing and Shanghai, iResearch has over 400 employees worldwide. Other offices are located in Guangzhou, Shenzhen, Chengdu, Hangzhou, Silicon Valley, New York and Hong Kong. iResearch has accumulated extensive experience in researching and monitoring the development of the internet industry in the PRC. Based on this experience, iResearch provides industry reports in online marketing, online travel, e-commerce, mobile internet, big data and internet finance sectors to more than 1,000 clients in these sectors and others in advertising, public relations, retail, telecommunications, investment, consumer goods, government and public service sectors.

iResearch has agreed to research China's user management SaaS and interactive advertising industries and issue a report (the "**iResearch Report**") for a fee of approximately RMB580,000. Data on market size and online users in the iResearch Report has mainly been obtained through interviews with industry participants, marketing surveys, secondary sources and other research methods, some of which have not been directly verified. Due to the limitations of such research methods, sample and size and scope of data collection, such data may not precisely reflect actual market conditions.

iResearch has prepared the iResearch Report on the assumptions that (i) the social, economic and political environments in China will remain stable during the forecast period, which will ensure the sustainable and continuous development of China's user management SaaS and mobile interactive advertising markets; (ii) the data quoted from authoritative agencies remains unchanged; and (iii) the revenue-sharing arrangements among market participants follow market standards. iResearch believes that the assumptions used in preparing the Industry Report, including those used to make future projections, are fair and reasonable. iResearch has independently analyzed the information obtained from its research, but the findings contained in the iResearch Report largely rely on the accuracy of the information collected.

INDUSTRY OVERVIEW

CHINA'S MOBILE INTERNET MARKET

China's internet market, in particular the mobile internet market, has experienced rapid growth over the past five years and recently entered into a steady growth phase. According to iResearch, China's population of mobile internet users increased at a CAGR of 10.3% from the end of 2013 to the end of 2018, and is expected to grow at a CAGR of 5.3% from the end of 2018 to the end of 2023. As the mobile internet develops, people place increasing reliance on mobile apps in their daily life. Given the increasing cost for mobile apps of acquiring new users, mobile apps have placed increasing emphasis on acquiring, retaining and monetizing users in a more cost-effective manner.

According to iResearch, the average daily time mobile internet users spent online increased from 3.6 hours in 2013 to 3.9 hours in 2018, representing a CAGR of 2.0%, and is estimated to reach 4.3 hours in 2023 growing at a CAGR of 1.9%. With the increasing time spent on mobile devices, mobile users have more opportunity to participate in different types of user engagement activities, creating an enormous market for user management services as well as mobile advertising.

According to iResearch, mobile apps can be classified into three categories, namely top apps, medium apps and tail apps. Top apps' DAUs exceed 9.0 million and are well-known in their respective categories. Medium apps have DAUs ranging from 50,000 to 9.0 million, while tail apps' DAUs are less than 50,000.

CHINA'S USER MANAGEMENT SAAS MARKET

Overview

In practice, the term "SaaS" usually refers to enterprise-level SaaS, i.e., services deployed on the servers of the service providers and provided for the enterprise via the internet. SaaS can be divided into the following categories based on their functions: (i) user management SaaS, (ii) coordination and planning SaaS (including enterprise resource planning (ERP), human resource management (HRM), and financial management SaaS), (iii) collaboration SaaS (including office automation (OA) and instant messaging (IM) SaaS), (iv) tools-based SaaS (including cloud storage services, payment tools and research tools), and (v) others.

The User Management SaaS Market in China

User management SaaS refers to a form of SaaS that is designed to help online and offline businesses (i.e., enterprises that primarily operate their businesses offline through physical outlets) to achieve user acquisition, engagement and retention online in a more cost-effective manner.

INDUSTRY OVERVIEW

User management SaaS for online businesses

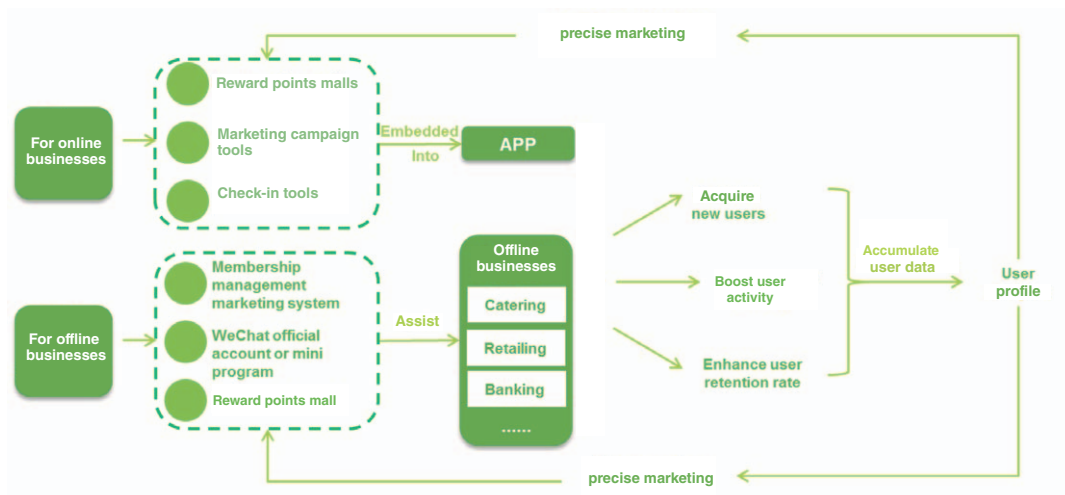
User management SaaS for online businesses mainly serves app developers and offers several types of services, namely, reward points malls, marketing campaign tools and check-in tools separately or as a comprehensive suite of tools, which help mobile app to boost user activity and the time spent on apps. According to iResearch, user management SaaS has gradually become popular since 2014. In 2014, our Group launched the first comprehensive user management SaaS platform designed to help businesses attract and retain online users in a cost-effective manner.

User management SaaS for offline businesses

User management SaaS for offline businesses mainly provides membership management and marketing systems, WeChat official accounts or mini-program design services, and reward points mall operation services for businesses, which facilitate their management of their users online and help them achieve precise marketing. With the rapid development of online-to-offline initiatives, an increasing number of online enterprises are integrating more with users' offline activities, while numerous offline businesses have started to bring their localized efforts online.

In the initial stage of development, most user management SaaS providers offer their services for free in order to attract more businesses, accumulate experience in user management, and establish systematic operational methodology, which could be applied to improve user management of mobile apps. As the market matures and more businesses are willing to outsource to comprehensive user management SaaS platforms, such platforms would start to charge fees for their services.

The following diagram illustrates the business model of user management SaaS:

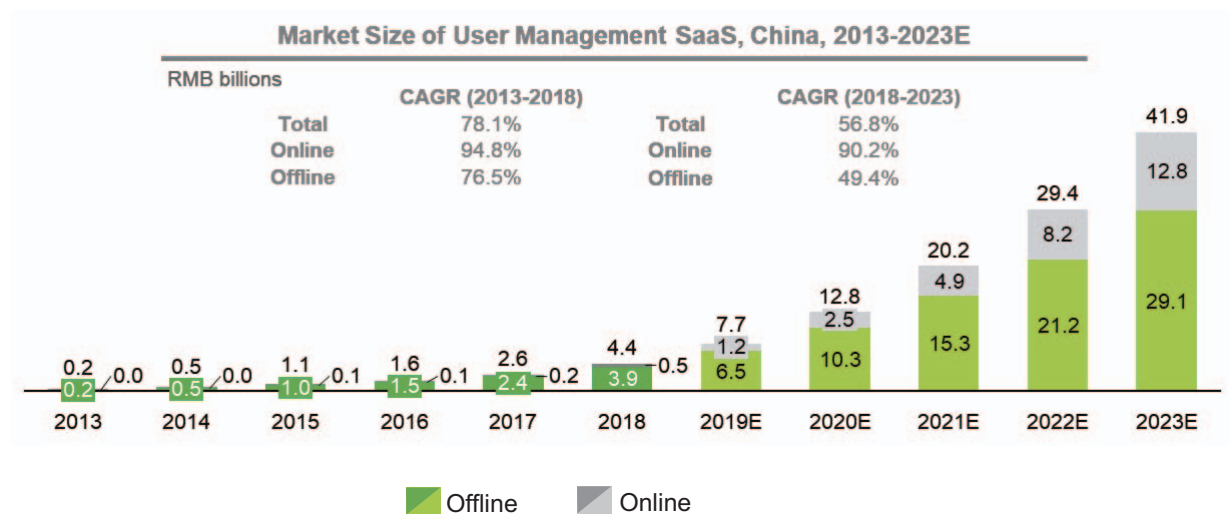


INDUSTRY OVERVIEW

Market Size

According to iResearch, the market size of user management SaaS for both online and offline business in China increased from RMB0.2 billion in 2013 to RMB4.4 billion in 2018, representing a CAGR of 78.1%, and, driven by the increasing penetration rate and a number of key drivers as will be discussed below, is expected to grow rapidly to RMB41.9 billion in 2023, representing a CAGR of 56.8% from 2018. Currently, existing participants in the user management SaaS industry in China mainly include vendors providing traditional services to offline businesses in the catering and retail industries. These services are low-value-added in nature, such as user management embedded in point-of-sale (POS) systems, inventory management and cashier services, which mainly help to facilitate daily user management. These vendors usually generate revenue by charging a fixed service fee given the lack of high-value-added services. In contrast, leading players in the user management SaaS industry are able to provide high-value-added comprehensive services, amidst the backdrop of rising user acquisition costs, such as user engagement and retention services, which help to actively increase user interactions. Leading market players, that provide more comprehensive and customised solutions, are shifting away from a free-to-use model to charging fees and expanding to serve offline businesses. They are better positioned to capture the significant growth opportunities in the future.

The following chart sets forth the actual and projected growth in the market size of user management SaaS in China:



Source: the iResearch Report

In particular for offline businesses, user management SaaS is currently at early stage of development with low penetration as many businesses are performing some of the user management functions in-house or unaware of the importance of user management. Driven by rising costs in user acquisition and intensified industry competition, businesses will soon realize importance of customer retention hence increasing demand for comprehensive, cost effective solutions providers. Third-party user management SaaS services can reduce costs of building the operation platform, simplify development process and reduce need for regular maintenance, thus relieving pressure on human resource and finance functions so that businesses could focus on investing capital into effective

INDUSTRY OVERVIEW

operation of their core businesses. Moreover, increasing adoption of new retail concepts result in offline businesses extending their businesses to online channels and customers pursuing user experience, user management SaaS services providers could help to facilitate management of customer information and analytics of data on personalized needs of users for targeted marketing, meeting needs of both the offline businesses and their customers. Recently, many leading players in different industries, such as Haidilao, Haier, Tesla, China Eastern Airlines and Bank of China have already adopted user management SaaS to help manage their customers in the Chinese market. This trend is expected to extend to other businesses, and hence the market size of user management SaaS for “offline” business is expected to reach RMB29.1 billion in 2023.

According to iResearch, the user management SaaS market has a much larger addressable market, which is defined as the market of all online and offline businesses which will utilize user management SaaS services and the size of which is measured in terms of the estimated expenditure by such businesses. The penetration rate (calculated as the market size divided by the addressable market size) of user management SaaS for online enterprises increased from 0.1% in 2013 to 1.1% in 2018, and is expected to increase to 18.7% in 2023; whereas the penetration rate of user management SaaS for offline businesses increased from 0.3% in 2013 to 3.4% in 2018, and is expected to further increase to 19.3% in 2023.

Given the increased demand for user activation and retention from mobile apps, significant growth is expected in the user management SaaS market with a rising penetration rate in both the online and offline segments.

Key Drivers of China’s User Management SaaS Market

According to iResearch, China’s user management SaaS market has the following key drivers:

- *Importance of user acquisition, engagement, and retention:* Given the increasing cost of acquiring new users, user acquisition, engagement, and retention have become essential for mobile app developers and offline businesses to compete for market share.
- *Development of big data and AI:* The development of big data and AI technologies enable businesses to make use of the behavioral pattern of each user and provide customized content through user management SaaS.
- *Rapid development of small and micro enterprises:* Small and micro enterprises accounted for 82.5% of the 4.51 million new companies registered with the SAIC in the first three quarters of 2017. The rapid development of small and micro enterprises forms a solid foundation, presenting a broad market space for the user management SaaS industry.

INDUSTRY OVERVIEW

Barriers to Entry

According to iResearch, China's user management SaaS market has the following entry barriers:

- *Understanding of user profile:* It is difficult for new entrants to accumulate data crucial for a deep understanding of user preferences and behaviors. Therefore, they are less able to help businesses identify appropriate user management solutions.
- *Innovative and experienced teams:* As customer demand in user management SaaS continues to evolve, user management SaaS providers with innovative and experienced teams can quickly and effectively respond to such demand.
- *Brand awareness:* Early entrants benefit from a first mover advantage to capture market share and establish brand loyalty based on a proven track record.

Competitive Landscape of China's User Management SaaS Market

According to iResearch, in 2018, our Group operated a user management SaaS platform in China with more comprehensive service offerings than some of our major competitors.

The following table sets forth information about the top five participants in China's user management SaaS market for online businesses in terms of the number of registered mobile apps as of December 31, 2018

Company	Launch month/ year	Number of registered mobile apps with DAUs above 1 million ⁽¹⁾	Number of registered mobile apps with DAUs above 9 million ⁽¹⁾	Total MAUs of registered mobile apps (millions) ⁽¹⁾	Service offerings		
					Reward points	Marketing campaign tools	Check-in tools
Our Group	05/2014	147	58	>15,000	✓	✓	✓
Company A	12/2014	3	0	>260	×	✓	✓
Company B	04/2015	2	0	>11	✓	×	×
Company C	06/2015	1	0	>11	✓	×	×
Company D	01/2016	1	0	<11	✓	×	×

Source: the iResearch Report

Note:

(1) DAUs and MAUs in the above table refer to those in the month of December 2018.

According to iResearch, Company A provides basic user management SaaS solutions for free and charges for its advanced services, while Companies B, C and D charge for all of their user management SaaS. None of Companies A to D is engaged in providing interactive advertising solutions.

INDUSTRY OVERVIEW

Trends in China's User Management SaaS Market

According to iResearch, China's user management SaaS market has the following development trends:

- *Increasing trend to outsource:* As both online and offline businesses face intense competition, they have to focus on improving the operating efficiency of their core businesses, and are therefore more likely to outsource their user management function.
- *Increasing use of more advanced big data analytics and AI technology:* In order to better understand user profiles to provide more customized marketing campaigns, user management SaaS providers have increasingly adopted and enhanced big data analytics and AI technology to optimize their performance.
- *Expansion to serve offline businesses:* User management SaaS increasingly focuses on offline businesses in the consumer industries because businesses in such industries have immense demand for systematic management of their users online.

CHINA'S MOBILE INTERACTIVE ADVERTISING MARKET

The mobile interactive advertising market is a sub-segment of the mobile advertising market. China's mobile advertising market is expected to benefit from the rapid growth of the mobile internet market generally. According to iResearch, the market size of China's mobile advertising market reached RMB366.3 billion in 2018 with an increase of 43.6% from the previous year, and the growth of the mobile advertising market is expected to outpace the growth of the online advertising market. According to iResearch, key players in China's mobile advertising market include third-party mobile advertising platforms such as Domob, Mobvista and Youmi; as well as mobile advertising platforms of top media such as Tencent Social Ads and Toutiao.

Overview of China's Mobile Interactive Advertising Market

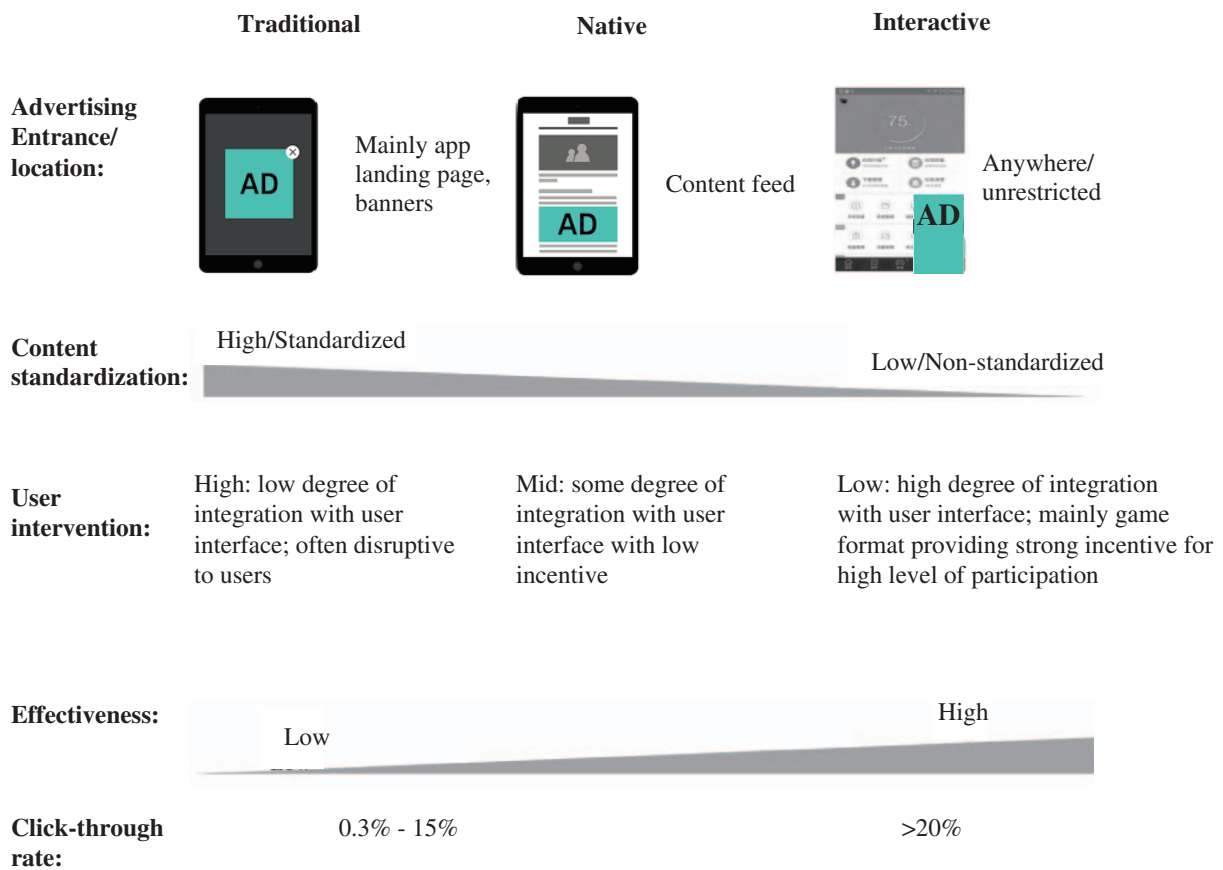
The prevalence of smartphones has led to a significant increase in mobile apps, in particular, social media apps, which led to a substantial increase in mobile user traffic and resulted in the emergence of a relatively new form of advertising known as native advertising. Since then, native advertising has quickly developed into a mainstream form of mobile advertising as it better matches the form and content of the media platform where the advertisement appears.

According to iResearch, interactive advertising is a form of native advertising which is reward-based and has interactive content that better integrates with the publishers' mobile app interfaces and allows better value-extraction of existing user traffic without compromising user experience, providing additional monetisation opportunities, interactive advertising solutions help advertisers to place more precisely targeted advertisements, track the results of their marketing campaigns, and create content targeted at potential users across different types of interactive content distribution channels.

INDUSTRY OVERVIEW

As a new segment of the mobile advertisement market, interactive advertising has developed into a standardized and programmable service with superior advertising effectiveness by encouraging users' engagement through activities and vouchers. Since 2015, our Group pioneered this new form of advertisement in China and it has gained popularity among advertisers and mobile apps. According to iResearch, from 2018 to 2020, interactive advertising is expected to become popular among news, social, video, and e-commerce areas of mobile apps, which is expected to lead to the next stage of substantial growth.

The following table compares interactive advertising with other forms of online advertising:



Source: the iResearch Report

According to iResearch, interactive advertising has the following advantages:

- *High level of user participation:* As an audience-focused form of advertising, interactive advertisements are mainly in the form of games or contests, the fun element of which provides strong incentives for user participation.

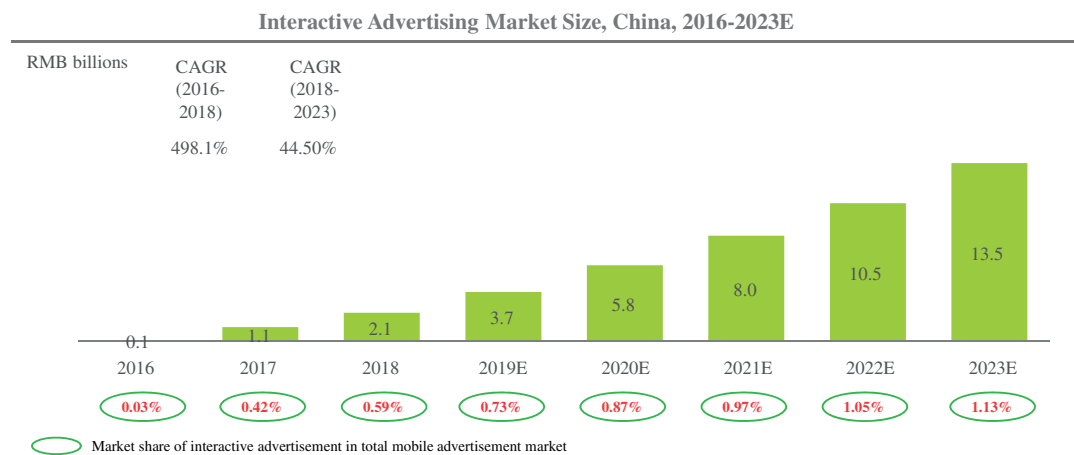
INDUSTRY OVERVIEW

- *High effectiveness and conversion rate:* With the innovative content of the advertisements that are relatively more customized and precise than traditional or native feed advertisements, users are more likely to interact with the advertisements, improving click through rate.
- *High monetization capacity:* Interactive advertising does not compete with existing forms of advertising. In contrast, it provides a high conversion rate resulting in additional monetization opportunities that build on existing user traffic.

Market Size

According to iResearch, the development of China’s mobile advertising market has been driven primarily by the improvement of mobile internet technology, optimization of mobile content and increases in mobile traffic. The size of China’s mobile advertising market increased from RMB13.4 billion in 2013 to RMB366.3 billion in 2018 in terms of revenue, and is expected to reach RMB1,199.6 billion in 2023.

The growth in the size of China’s mobile interactive advertising market is expected to outpace that of the mobile advertising markets generally, and is expected to grow from RMB2.1 billion in 2018 to RMB13.5 billion in 2023, mainly driven by the increasing penetration rate and a number of key drivers as will be discussed below. The following chart sets forth the actual and projected growth in the size of China’s mobile interactive advertising market in terms of revenue:



Source: the iResearch Report

INDUSTRY OVERVIEW

Key Drivers of China's Mobile Interactive Advertising Market

According to iResearch, China's mobile interactive advertising market has the following key drivers:

- *New advertisement format creating value for various stakeholders:* For online publishers, interactive advertising enriches their advertising inventory by increasing the utilization of non-standard advertising spaces for additional monetization of existing traffic. For advertisers, interactive advertising has higher conversion rates and can help to maximize the value of their advertising budget.
- *Importance of user experience:* Online media channels such as mobile apps have to strike a balance between the need to monetize traffic and minimizing the disruption to user experience. Compared to traditional advertising formats such as banners and pop-up advertisements which can be disruptive to users' browsing in the mobile app often resulting in closing down advertisements immediately, interactive advertisements are flexible and could be located anywhere in the mobile app by suspended icons, add-in functions, or event entrances that do not affect overall browsing to monetize fragmented traffic effectively. In addition, mobile interactive advertising does not force users to participate but depends entirely on users' willingness to participate. Given advertisements are presented as rewards in the form of vouchers or coupons within interesting activities, users are more incentivized to participate and in turn obtain additional entertainment value and satisfaction from possibility of receiving rewards. As a result, the pursuit and importance of user experience has contributed to the market growth of interactive advertising which is focused on user experience and seen as an effective means to achieve the balance between user traffic monetization and user experience.
- *Importance of user acquisition:* As mobile internet user growth is slowing down, and managing user acquisition costs becomes more important for companies, interactive advertising provides an opportunity for media to acquire and analyze large quantities of comprehensive user tags and accurate user profiles. As a result, more suitable advertisements (embedded as coupons or vouchers) can be displayed based on users' interests, providing higher conversion rates from page views to chargeable clicks and ultimately better chances for the users to turn into customers of the end advertisers compared to traditional advertising formats. As a result, the pursuit and importance of user acquisition has contributed to the market growth of interactive advertising which effectively enables mobile apps to achieve user acquisition (providing coupons or vouchers).

INDUSTRY OVERVIEW

Barriers to Entry

According to iResearch, China's mobile interactive advertising market has the following entry barriers:

- *Scale effect*: Leading interactive advertising platforms connect online publishers and advertisers to accumulate enormous amounts of user and device data to optimize advertising effectiveness.
- *Media resources*: It takes a significant amount of time for interactive advertising service providers to build their proven track record so as to gain trust from media partners.
- *Experience in serving customers in various industries*: Rich experience in providing interactive advertising services to customers in different industries can improve advertising effectiveness with more customized solutions catering to specific industry needs.
- *Technology barrier*: Effective interactive advertising depends on reliable and scalable technology infrastructure that can provide precise marketing in real-time which cannot be replicated by new entrants in a short period of time.

Competitive Landscape of China's Mobile Interactive Advertising Market

According to iResearch, in 2018, our Group accounted for 51.7% of China's mobile interactive advertising market in terms of revenue, ranking first in the industry.

The following table sets forth the ranking of the participants in China's mobile interactive advertising market in 2018 by revenue, according to iResearch:

Company	Launch month/year	Market share	DAUs ⁽¹⁾
Our Group	October 2015	51.7%	> 20 million
Company E	April 2017	15.8%	> 5 million
Company F	September 2016	9.8%	> 3 million
Company G	June 2017	8.4%	> 2 million
Company H	November 2017	6.5%	> 1 million

Note:

(1) DAUs refer to the average daily active users contributed by the interactive advertising platforms' HTML5 interactive advertising pages, and not the average daily active users of the content distribution channels. DAUs refers to those for the month of December 2018.

According to iResearch, CPC is a common advertising fee model adopted by most interactive advertising platforms in China, including those operated by Companies E to H. None of Companies E to H operates a user management SaaS platform.

INDUSTRY OVERVIEW

Trends in China's Mobile Interactive Advertising Market

According to iResearch, China's mobile interactive advertising market has the following development trends:

Increasing popularity of localized online advertising: Driven by an increasing number of small and medium sized enterprises, there is a rising demand for localized online advertisements that have a high conversion rate. A strong understanding of local consumer behavior and preferences is important to ensure online advertising reaches its targeted audience. According to iResearch, the size of China's localized online advertising market increased from RMB3.4 billion in 2015 to RMB26.3 billion in 2018 and is expected to reach RMB122.2 billion in 2023, growing at a CAGR of 36.0%.

Higher demand for industry-specific advertising solutions: As advertisers from different industries have different needs, more customized interactive advertisements will help to enhance conversion rates, resulting in a higher rate of return for advertisers' spending.

Higher integration with diversified scenarios: Interactive advertisements will develop to include more formats that fully integrate with different scenarios in the mobile apps that they are placed in, minimising disruption to user experience to bring about a higher conversion rate and increased monetization opportunities for publishers.

Expansion of the global mobile interactive advertising market: Interactive advertising offers high monetization and conversion and therefore the demand for interactive advertising globally is expected to increase from RMB2.3 billion in 2018 to RMB17.1 billion in 2023, at a CAGR of 49.5%, according to iResearch.

REGULATORY OVERVIEW

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

This section sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our business operations.

REGULATIONS RELATING TO FOREIGN INVESTMENT

The Catalogue for the Guidance of Foreign Investment Industries

The Foreign Investment Law of PRC

The Foreign Investment Law was adopted by National People's Congress on March 15, 2019. It will take effect on January 1, 2020 and replace the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law (《外資企業法》) to become the legal foundation for foreign investment in the PRC. The FIL sets out the definition of foreign investment and the framework for promotion, protection and administration of foreign investment activities.

Investment activities in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the *Catalogue for the Guidance of Foreign Investment Industries (Revised in 2017)* (外商投資產業指導目錄(2017年修訂)) (the “**Catalogue**”), which was promulgated jointly by Ministry of Commerce of the PRC (the “**MOFCOM**”) and National Development and Reform Commission (the “**NDRC**”) on June 28, 2017 and became effective on July 28, 2017 and contains specific provisions guiding market access of foreign capital. Under the Catalogue, foreign-invested industries are classified into two categories, namely (i) encouraged foreign-invested industries; and (ii) foreign-invested industries which are subject to special administrative measures for access of foreign investment (the “**Negative List**”). The Negative List is further divided into restricted foreign-invested industries and prohibited foreign-invested industries, setting out restrictions such as shareholding requirements and qualifications of the senior management. Any industry not listed in the Negative List is a permitted industry.

The NDRC and the MOFCOM issued the *Special Administrative Measures on Access of Foreign Investment (Negative List) (Edition 2018)* (外商投資准入特別管理措施(負面清單)(2018年版)) (the “**Special Administrative Measures**”) on June 28, 2018, which became effective from July 28, 2018 and the Negative List in the Catalogue was repealed simultaneously. The Special Administrative Measures contains a list of fields that foreign investment is restricted or forbidden.

Pursuant to the Special Administrative Measures, foreign investment in value-added telecommunications services (excluding e-commerce) is restricted while foreign investment in internet cultural activities (except for the provision of online music) is prohibited.

REGULATORY OVERVIEW

Our PRC Legal Advisor is of the view that our Group's businesses do not constitute value-added telecommunications service or internet cultural business, or fall within any other restricted or forbidden foreign-invested industries, and as such, our Group's businesses are precluded from the Special Administrative Measures and is within the permitted industry for foreign investment. Such view has also been confirmed by relevant governing authorities of the businesses of our Group.

For details, see “—Regulations Relating To Telecommunications Services—Regulations on Value-added Telecommunications Services”, “—Regulations Relating To Internet Culture” and “—Regulations Relating To Internet News” below.

Laws Relating to Foreign-owned Enterprises

The establishment, operation and management of corporate entities in China are governed by the *Company Law of the PRC* (中華人民共和國公司法) (the “**Company Law**”), which was promulgated by the Standing Committee of the National People's Congress (“**SCNPC**”) on December 29, 1993 and amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018 respectively. Under the Company Law, companies are generally classified into two categories, i.e., limited liability companies and joint stock limited companies. The Company Law also applies to foreign-invested limited liability companies. According to the *Company Law*, any stipulations by other PRC laws governing foreign investment shall prevail over the Company Law.

Pursuant to the *Law of PRC on Wholly Foreign-owned Enterprises* (中華人民共和國外資企業法), which was promulgated by the SCNPC on April 12, 1986, first amended and became effective on October 31, 2000, and last amended on September 3, 2016 and became effective on October 1, 2016, where the establishment of wholly foreign-owned enterprises does not involve the implementation of special access administrative measures prescribed by the state, the establishment, breakup, merger, or any other major change and the operation period of such enterprises are subject to record-filing administration.

The *Implementing Rules for the Law of the PRC on Wholly Foreign-owned Enterprises* (中華人民共和國外資企業法實施細則) (the “**Implementing Rules on Wholly Foreign-owned Enterprises**”) was promulgated by the State Council of the PRC (the “**State Council**”) on December 12, 1990, then was amended on April 12, 2001 and February 19, 2014, and became effective on March 1, 2014. According to the Implementing Rules on Wholly Foreign-owned Enterprises, industries in which the establishment of wholly foreign-owned enterprises (the “**WFOEs**”) is prohibited or restricted shall be regulated in accordance with the provisions of the State about foreign investment orientation and the *Catalogue*.

Subject to the *Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (Revised in 2018)* (外商投資企業設立及變更備案管理暫行辦法(2018年修訂)), which was promulgated by the MOFCOM and became effective on June 30, 2018, in the case of a change in a foreign-invested enterprise subject to record-filing administration which involves the implementation of special access administrative measures prescribed by the State, the approval procedures shall be handled in accordance with relevant laws and regulations on foreign

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investment. If there is a change in a foreign-invested enterprise incorporated upon approval, and the changed foreign-invested enterprise does not involve the implementation of special access administrative measures prescribed by the State, record-filing procedures shall be handled and completed.

Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors

The *Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定) (the “M&A Rules”), promulgated by six PRC ministries including MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration Of Taxation (the “SAT”), the State Administration For Industry & Commerce (the “SAIC”), the China Securities Regulatory Commission (the “CSRC”), and State Administration of Foreign Exchange (the “SAFE”) on August 8, 2006, effective from September 8, 2006, amended and became effective on June 22, 2009. The M&A Rules stipulate that 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 for 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 any 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 other things, further prescribed that a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals, shall be approved by the MOFCOM prior to its establishment and obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

Pursuant to the *Manual of Guidance on Administration for Foreign Investment Access* (外商投資准入管理指引手冊), which was issued and became effective on December 18, 2008 by the MOFCOM, notwithstanding the fact that (i) the domestic shareholder is connected with the foreign investor or not; or (ii) the foreign investor is the existing shareholder or the new investor, the M&A Rules shall not apply to the transfer of an equity interest in an incorporated foreign-invested enterprise from the domestic shareholder to the foreign investor.

REGULATIONS RELATING TO TELECOMMUNICATION SERVICES

Regulations on Value-added Telecommunications Services

According to the *Telecommunications Regulations of the PRC* (中華人民共和國電信條例) issued by the State Council on September 25, 2000 and was amended on July 29, 2014 and February 6, 2016, respectively, value-added telecommunications services are defined as telecommunications and information services provided through public network infrastructures and are subject to licenses prior to commencement of operations, and according to the *Catalogue of Telecommunications Business (2015 Edition)* (電信業務分類目錄(2015年版)) attached to the Telecommunications Regulations of the PRC, value-added telecommunications services are divided into two categories. Category I value-added telecommunications services include internet data center services, content delivery

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network services, domestic internet protocol virtual private network services and internet access services. Category II value-added telecommunications services include online data processing and transaction processing services, domestic multi-party communication services, store-and-forward-type services, call center services, information services and code and regulation conversion services.

Information services refer to the information services provided for users via the public communication network or the internet and by the information collection, development, processing and construction of information platforms. By technical service methods of information organization, transmission, etc., information services are classified into information release platforms and transmission services, information retrieval and inquiry services, information community platform services, instant information interaction services as well as information protection and processing services.

Online data processing and transaction processing services are defined as the online data processing and transaction/affair processing services provided for users through public communication networks or the internet, using various kinds of data and affair/transaction processing application platforms connected to various kinds of public communication networks or the internet. Online data processing and transaction processing services include transaction processing services, electronic data interchange services and network/electronic equipment data processing services.

Our Group mainly provides user management SaaS services and interactive advertisement services, and as advised by our Group's PRC Legal Advisor, such businesses do not directly involve provision of any type of value-added telecommunications services. Although our user management SaaS platform and our interactive advertising solutions offer certain tool functions (including advertising tools as well as reward points operation tools, marketing campaign tools, and check-in tools), our customers may use such tools without re-development. In addition, such services are software services in nature and are different from online data processing and transaction processing services. As such, we believe that our user management SaaS platform business and our interactive advertising business are not subject to any licensing requirement.

In addition, as confirmed by a Senior Staff Member (主任科員) of the Cyber Security Management Office (網絡安全處) of Zhejiang Communications Administration (浙江省通信管理局) during an on-site interview conducted on March 20, 2018, our businesses do not constitute value-added telecommunications service and we are not required to obtain any value-added telecommunications operation license. Our PRC Legal Advisor is of the view that such government authority is competent to provide the confirmation.

Regulations on the Provision of Internet Information Services

The *Administrative Measures on Internet Information Services* (互聯網信息服務管理辦法) (the “**Internet Information Measures**”), which was promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, regulate internet information services. According to the Internet Information Measures, internet information services refer to services that provide information to online users via the internet and are categorized as either commercial or non-commercial services. The State subjects certain commercial internet information services to a permit system and

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non-commercial internet information services to a record-filing system. No one may engage in the provision of internet information services without having obtained permission or carried out record-filing procedures. According to our PRC Legal Advisor, we are subject to the record-filing procedures but not the permit system under the Internet Information Measures.

According to the Internet Information Measures, violators may be subject to penalties, including criminal sanctions, for providing internet content that: contravenes the fundamental principles stated in the PRC Constitution, compromises national security, divulges national secrets, subverts national power or damages national unity, harms national dignity or interest; incites ethnic hatred or racial discrimination or damages inter-ethnic unity, undermines the PRC's religious policy or propagates superstition, disseminates rumors, disturbs social order or disrupts social stability, disseminates obscenity or pornography, encourages gambling, violence, murder or fear or incites the commission of a crime, insults or slanders a third party or infringes upon the lawful rights and interests of a third party, or is otherwise prohibited by law or administrative regulations. An internet information service provider shall not post or disseminate any content that falls within prohibited categories and must stop providing any such content on their websites.

Internet information service providers shall monitor their websites. They shall not post or disseminate any content that falls within prohibited categories provided by laws or administrative regulations and must stop providing any such content on their websites.

Regulations for the Administration on Mobile Internet Application Information Services

In addition to the Internet Information Measures above, mobile apps are specially regulated by the *Administrative Provisions on Mobile Internet Application Information Services* (移動互聯網應用程序信息服務管理規定) (the “**Mobile App Provisions**”), which were promulgated by the Cyberspace Administration of China (the “CAC”) on June 28, 2016 and became effective on August 1, 2016. The Mobile App Provisions regulate mobile app information service providers and mobile app store service providers and the CAC and local offices of cyberspace administration shall be responsible for the supervision and administration of nationwide or local APP information respectively. According to our PRC Legal Advisor, our self-operated mobile apps such as Tiantian Quwen are regulated by the Mobile App Provisions.

According to the Mobile App Provisions, mobile app information service providers shall acquire relevant qualifications required by laws and regulations and implement the information security management responsibilities strictly and shall (1) authenticate the identity information of the registered users including their mobile telephone number and other identity information under the principle that mandatory real name registration at the back-office end and voluntary real name display at the front-office end; (2) establish and improve the mechanism for the protection of users' information, and follow the principle of legality, rightfulness and necessity, indicate expressly the purpose, method and scope of collection and use and obtain the consent of users while collecting and using users' personal information; (3) establish and perfect the mechanism for the examination and management of information content, and in terms of any information content released that violates laws or regulations, take such measures as warning, restricting the functions, suspending the update and closing the accounts as the case may be, keep relevant records and report the same to relevant competent authorities; (4) safeguard users' right to know and to make choices when users are

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installing or using such applications, and shall not, without express notice to users and users' prior consent, activate such functions as collecting information of users' geographical locations, accessing users' contacts, turning on the camera and recording the sound, or any other function irrelevant to the services, and shall not forcefully install any other irrelevant applications; (5) respect and protect the intellectual properties and shall neither produce nor release any application that infringes others' intellectual properties; and (6) record the users' log-in information and keep the same for 60 days.

REGULATIONS RELATING TO INTERNET CULTURE

Pursuant to the *Interim Administrative Provisions on Internet Culture* (《互聯網文化管理暫行規定》) (“**Internet Culture Provisions**”) promulgated by the Ministry of Culture, 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 cultural business license. “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.

To further clarify, “internet cultural products” refer to the cultural products produced, spread and distributed through the internet, which mainly include: (i) internet cultural products specially produced for the internet, including but not limited to, online music entertainment, online games, online shows and plays (programs), online performances, online artworks and online cartoons; and (ii) internet cultural products produced from cultural products described in (i) above by using certain technological means and reproduced on the internet for dissemination. “Internet cultural activities” refer to the activities carried out for providing internet cultural products and services, which mainly include: (i) the activities of producing, reproducing, importing, publishing or broadcasting internet cultural products; (ii) the online distribution acts of publishing cultural products on the internet or sending cultural products through the internet, mobile communication networks and other information networks to such user terminals as computers, telephones, mobile phones, televisions and game players, and internet cafes and other business premises of internet service for users to browse, use or download; and (iii) exhibition and competition activities of internet cultural products.

Our Group mainly provides user management SaaS services and interactive advertising services, and as advised by our PRC Legal Advisor, such businesses do not involve provision of specific internet cultural products or relevant services as specified in the Internet Culture Provisions. Although our user management SaaS and interactive advertising solutions sometimes take the form of mini-games, such mini-games are designed for the purpose of interactive advertisement only and are of the nature of advertisements, and accordingly, such interactive advertising business does not constitute operation of online games as specified in the Interim Measures for the Administration of Online Games (2017 Revision) and relevant laws and regulations, which refer to provision of online game products and services through information network by making online games available for user registration or making online games available for download, and which are subject to the internet cultural business licensing regime.

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In addition, our PRC Legal Advisor conducted a telephone consultation with the Zhejiang Provincial Department of Culture (浙江省文化廳) for whether certain of our Group's businesses fall under the stipulated scope of for-profit internet cultural business, and the officer confirmed that such businesses are not required to obtain an internet cultural business license. Our PRC Legal Advisor is of the view that such government authority is competent to provide the confirmation.

REGULATIONS RELATING TO INTERNET ADVERTISING

On April 24, 2015, the SCNPC released the *Advertising Law of the PRC (Revised in 2018)* (中華人民共和國廣告法(2018年修訂) (the “**Advertising Law**”), which was promulgated on October 27, 1994 and became effective on February 1, 1995 and amended on September 1, 2015 and October 26, 2018. In accordance with the Advertising Law, narcotic drugs, psychotropic substances, toxic drugs for medical use, radioactive pharmaceuticals and other special drugs, drug precursor chemicals, as well as pharmaceuticals, medical machinery and treatment method for drug abuse rehabilitation, shall not be advertised. The Advertising Law provides that the internet information service providers shall not publish medical, drugs, medical machinery or health food advertisements in disguised form of introduction of healthcare and wellness knowledge.

On July 4, 2016, the SAIC promulgated the *Interim Measures on Internet Advertisement* (互聯網廣告管理暫行辦法) (the “**Internet Advertisement Measures**”), which became effective on September 1, 2016. The Internet Advertisement Measures regulates any advertisement published on the internet, including but not limited to advertisement published through websites, webpages and internet applications, in the form of word, picture, audio and video. The Internet Advertisement Measures also provides detailed guidelines for the advertisers, advertising operators and advertising publishers.

According to the Internet Advertisement Measures, online advertisements in relation to certain categories of goods and services (e.g. prescription drugs and tobacco) are expressly prohibited and certain advertisements (e.g. medical advertisements and advertisements for agricultural chemicals, veterinary drugs and health foods) are only permitted if they have been pre-approved by the relevant authorities. Furthermore, the Internet Advertisement Measures provide detailed guidelines and requirements for the advertisers, advertising operators and advertising publishers. Internet advertisers, advertising operators and/or advertisement publishers must enter into written contracts in conducting internet advertisement business and activities. Internet advertisers are responsible for the authenticity of the content of advertisements and may publish advertisements by setting up a website or an internet medium legally used by them, or by entrusting internet advertising operators or advertising publishers to publish advertisements. Internet information service providers must prevent any person from using their information services to publish illegal advertisements if they are aware of, or should reasonably be aware of, such illegal advertisements, otherwise they shall be punished according to the Advertising Law even though the internet information service provider merely provides information services and is not involved in the internet advertisement businesses.

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The following activities are prohibited under the Internet Advertisement Measures: (i) providing or using applications and hardware to block, filter, skip over, tamper with, or cover up lawful advertisements provided by others; (ii) using network access, network equipment and applications to disrupt the normal transmission of lawful advertisements provided by others or adding or uploading advertisements without permission; or (iii) harming the interests of others by using fake statistics or traffic data. The industry and commerce administrative department is the relevant local administrative authority that supervises and enforces punishments for any illegal act in internet advertising. Any violation of the Internet Advertisement Measures may result in fines, prohibition of publishing advertisements for a period of time or withdrawal of business licenses, etc.

REGULATIONS RELATING TO INFORMATION SECURITY AND CENSORSHIP

Internet content in China is regulated and restricted from a state security standpoint. The SCNPC enacted the *Decisions on the Maintenance of Internet Security* (維護互聯網安全的決定) on December 28, 2000, which was amended on August 27, 2009 and became effective on the same day. According to the Decisions on the Maintenance of Internet Security, any person that commits any of the following acts shall be prosecuted in accordance with the Criminal Law for criminal liability if such conduct constitutes a criminal offense: (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 upon intellectual property rights. According to our PRC Legal Advisor, our interactive advertising business is regulated by the Decisions on the Maintenance of Internet Security.

On December 16, 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 became effective on December 30, 1997 and were amended by the State Council on January 8, 2011 and prohibit using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction.

On November 7, 2016, the SCNPC promulgated the *Cyber Security Law of the PRC* (中華人民共和國網絡安全法) (the “**Cyber Security Law**”), which became effective on June 1, 2017. Pursuant to the Cyber Security Law, network operators shall comply with laws and regulations and fulfill 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. Where the purchase of network products and services that may affect national security, it shall be subject to national cybersecurity review.

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On May 2, 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 June 1, 2017, to provide for more detailed rules regarding cybersecurity review requirements.

REGULATIONS RELATING TO PRIVACY PROTECTION

On December 13, 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 “**Measures for Internet Security Protection**”), which took effect on March 1, 2006. The Measures for Internet Security Protection requires 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. Internet services providers are prohibited from unauthorized disclosure of users’ information to any third party unless such disclosure is required by the laws and regulations. They are further required to establish management systems and shall not take technological measures to injure the freedom and secrecy of users’ correspondences.

On December 28, 2012, the SCNPC promulgated the *Decision on Strengthening Network Information Protection* (關於加強網絡信息保護的決定), which became effective on the same day, to enhance the legal protection of information security and privacy on the Internet. On July 16, 2013, the Ministry of Industry and Information Technology of the PRC (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), which became effective on September 1, 2013, to regulate the collection and use of users’ personal information in the provision of telecommunication services and internet information services in China. 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 to identify a user. Telecommunication business operators and internet service providers are required to constitute their own rules for collection and use of users’ information and they cannot collect or use user’s information without users’ consent. Telecommunication business operators and internet service providers must specify the purposes, manners and scope of information collection and uses, obtain consent of the relevant citizens, and keep the collected personal information confidential. Telecommunication business operators and internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information. Telecommunication business operators and internet service providers are required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss.

On December 29, 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 March 15, 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 (hereinafter referred to as “personal information of users”), nor shall they provide personal information of users to others, unless otherwise provided by laws and administrative regulations. The Provisions also requires that internet information service providers shall properly keep the personal

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information of users; if the preserved personal information of users is divulged or may possibly be divulged, internet information service providers shall immediately take remedial measures. Where such incident causes or may cause serious consequences, they shall immediately report the same to the telecommunications administration authorities that grant them with the internet information service license or filing and cooperate in the investigation and disposal carried out by relevant departments. Failure to comply with such requirements may result in a fine between RMB10,000 and RMB30,000 and an announcement to the public.

On May 8, 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) (the “**Interpretations**”), effective from June 1, 2017. The Interpretations clarify several concepts regarding the crime of “infringement of citizens' personal information” stipulated by Article 253A of the Criminal Law of the PRC (中華人民共和國刑法), including “citizen's personal information”, “provision”, and “unlawful acquisition”. Also, the Interpretations specify the standards for determining “serious circumstances” and “particularly serious circumstances” of this crime.

REGULATIONS RELATING TO SOFTWARE SERVICES

Restrictions on Software Enterprises

On October 16, 2000, the MIIT, the Ministry of Education of the PRC, the Ministry of Science and Technology of the PRC, and the SAT jointly issued the *Certifying Standard and Managing Measures for Software Enterprises (Trial)* (軟件企業認定標準及管理辦法(試行)), which was abolished on June 2, 2016.

HZ Duiba and HZ Tuia were certified as Software Enterprises and are subject to certain preferential tax treatment. See “Financial Information—Key Factors Affecting our Results of Operations—Our Preferential Tax Treatment” for details.

On February 24, 2015, the State Council issued the *Decision on Cancelling and Adjusting a Batch of Administrative Examination and Approval items* (國務院關於取消和調整一批行政審批項目等事項的決定), which cancelled the certification and annual examination of software enterprises. However, according to the *Notice on Relevant Matters of 2014 Annual Software Enterprise Income Tax Preferential Policies* (工業和信息化部、國家稅務總局關於2014年度軟件企業所得稅優惠政策有關事項的通知) jointly issued by MIIT and SAT on May 27, 2015, the enterprise income tax preferential policies related to certified software enterprises under Industry Policies are still valid for the time being.

REGULATORY OVERVIEW

REGULATIONS RELATING TO INTERNET NEWS

Pursuant to the *Provisions for the Administration of Internet News Information Services* (互聯網新聞信息服務管理規定) (the “**Internet News Provisions**”) promulgated by the CAC, which was issued on May 2, 2017 and became effective on June 1, 2017, an internet news license shall be obtained from CAC by the service provider for the provision of internet news information services to the public in a variety of ways, including offering platforms for such dissemination. “News information” as mentioned therein includes reports and comments relating to social and public affairs such as politics, economy, military affairs and foreign affairs, as well as relevant reports and comments on social emergencies. Internet news information services include services of collecting and releasing internet news information, reposting such news information and providing a news information platform. According to the *Implementing Rules for the Administration of the Licensing for Internet News Information Services* (互聯網新聞信息服務許可管理實施細則), promulgated by the CAC, which was issued on May 22, 2017 and became effective on June 1, 2017, services of collecting and releasing internet news information refer to the services to collect, edit, produce and release news information; services of reposting news information refer to services to select, edit and release the news information that has already been published by other entities; and services of providing a news information platform refer to services to provide users with a platform so as to disseminate news information.

The contents on our self-operated mobile app Tiantian Quwen are mainly entertainment gossip, humorous information and advertisements, and do not involve political, economic, military, diplomatic and other social public affairs and reports and comments on social emergencies, and most of the contents on Tiantian Quwen come from other content platforms, which means while the user clicks on the title of an article contained in the app Tiantian Quwen, it will directly connect to the internet server of a third party without any selection or edition by us.

In light of the above, our PRC Legal Advisor is of the view that our self-operated mobile app Tiantian Quwen shall not be considered involving provisions of “news information” or “internet news information services”, and as such, we are not required to obtain an internet news license for Tiantian Quwen.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

The Copyright Law

The *Copyright Law of the PRC* (中華人民共和國著作權法), promulgated on September 7, 1990 and effective from June 1, 1991, revised respectively on October 27, 2001 and February 26, 2010, protects copyright and explicitly covers computer software copyright. On December 20, 2001, the State Council promulgated the new *Regulations on Computer Software Protection* (計算機軟件保護條例), adopted on January 1, 2002 and revised on January 30, 2013, which are intended to protect the rights and interests of the computer software copyright holders and encourage the development of software industry and information economy. In the PRC, software developed by PRC citizens, legal person or other organizations is automatically protected immediately after its development, whether

REGULATORY OVERVIEW

published or not. Software copyright may be registered with the designated registration authorities and if registered, the certificate of registration issued by the software registration authorities will be the preliminary evidence of the ownership of the copyright and other registered matters. On February 20, 2002, the National Copyright Administration, promulgated the *Measures on Computer Software Copyright Registration* (計算機軟件著作權登記辦法), which was effective from the same date, outline the operational procedures for registration of software copyright, as well as registration of software copyright license and transfer agreements. The Copyright Protection Center of China is mandated as the software registration agency under the regulations.

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

The Trademark Office under the 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 license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office for record. 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 with trademarks, the 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

The MIIT promulgated the *Administrative Measures for Internet Domain Names* (互聯網域名管理辦法) on August 24, 2017, which became effective from November 1, 2017. According to these measures, domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC internet domain names. The domain name services follow a “first come, first file” principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to domain name registration service institutions.

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 January 29, 1996 and last amended on August 5, 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 territory 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 regional office. Payments for transactions that take place within the PRC territory must be made in Renminbi. Unless otherwise approved, 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 regional 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 laws and regulations of the PRC.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

The Circular 37 which was promulgated by SAFE on July 4, 2014 and became effective on the same date, requires PRC residents or entities to register with SAFE or its regional local branch with respect to their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions.

SAFE promulgated the *Circular of the State Administration of Foreign Exchange 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) (the “**Circular 13**”) on February 13, 2015 and became effective on June 1, 2015. Circular 13 allows PRC residents or entities to register with qualified banks with respect to their establishment or control of an offshore entity established for the purpose of overseas investment or financing. However, remedial registration applications made by PRC residents that previously failed to comply with the Circular 37 continue to fall under the jurisdiction of the relevant local branch of SAFE. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore

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parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WARFARE

The Labor Contract Law

Pursuant to the *Labor Contract Law* (中華人民共和國勞動合同法), issued on June 29, 2007, amended on December 28, 2012 and newly effective on July 1, 2013, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with national regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner.

According to the *Labour Law of the PRC* (中華人民共和國勞動法) promulgated on July 5, 1994 and amended and newly effective on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection.

Social Insurance and Housing Fund

As required under the *Regulation of Insurance for Labor Injury* (工傷保險條例) implemented on January 1, 2004 and amended on December 20, 2010, the *Provisional Measures for Maternity Insurance of Employees of Corporations* (企業職工生育保險試行辦法) implemented on January 1, 1995, the *Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council* (國務院關於建立統一的企業職工基本養老保險制度的決定) issued on July 16, 1997, the *Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council* (國務院關於建立城鎮職工基本醫療保險制度的決定) promulgated on December 14, 1998, The *Unemployment Insurance Measures* (失業保險條例) promulgated on January 22, 1999 and the *Social Insurance Law of the PRC* (中華人民共和國社會保險法) implemented on July 1, 2011, and amended and newly effective on December 29, 2018 enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the *Regulations on the Management of Housing Funds* (住房公積金管理條例) which was promulgated by the State Council on April 3, 1999 and amended on March 24, 2002, enterprises must register at the competent managing center for housing funds and upon the

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examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

REGULATIONS RELATING TO TAX

Enterprise Income Tax

According to the *Law of the PRC on Enterprise Income Tax* (中華人民共和國企業所得稅法), enacted on March 16, 2007, effective from January 1, 2008 and amended on February 24, 2017 and December 29, 2018 by SCNPC and the *Implementation Regulations for the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例), enacted on December 6, 2007 and became effective on January 1, 2008 by the State Council (collectively, the “EIT Law”) and its relevant implementation regulations, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

The *Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies* (關於境外注冊中資控股企業依據實際管理機構標準實施居民企業認定有關問題的通知) promulgated by the SAT on April 22, 2009 and amended on January 29, 2014 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.

According to the EIT Law and relevant implementation regulations, the EIT tax rate of a high and new technology enterprise is 15%. Pursuant to the *Administrative Measures for the Recognition of High and New Technology Enterprises* (高新技術企業認定管理辦法), effected on January 1, 2008 and amended on January 29, 2016, the certificate of a high and new technology enterprise is valid for three years. An enterprise shall, after being accredited as a high-tech enterprise, fill out and submit the statements on annual conditions concerning the intellectual property rights, scientific and technical personnel, expenses on research and development and operating income for the previous year on the “website for the administration of accreditation of high-tech enterprises”.

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The *Notice on Taxation Policies for Further Encouraging the Development of the Software and Integrated Circuit Industries* (關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知), which was promulgated by the Ministry of Finance and the SAT and effected on January 1, 2011 and the *Notice on Issues Relating to the Preferential Policies for Enterprise Income Tax in Software and Integrated Circuits Industry* (關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知) promulgated by the Ministry of Finance, the SAT, the NDRC and the MIIT on May 4, 2016, provide that, upon certification, newly established integrated circuit design enterprises and eligible software enterprises shall be exempt from the enterprise income tax for the first two years of the preferential period, and shall be levied thereon at half of the statutory rate of 25% for the next three years until the expiration of the preferential period. The preferential period starts from the first profitable year before December 31, 2017.

Value-added Tax and Business Tax

The *Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax* (關於全面推開營業稅改徵增值稅試點的通知) was promulgated by SAT and Ministry of Finance on March 23, 2016 and effective from May 1, 2016, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner as of May 1, 2016, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

The *Provisional Regulations of PRC Concerning Value Added Tax* (中華人民共和國增值稅暫行條例) (the “**VAT Regulations**”) was promulgated by the State Council on December 13, 1993 and amended on November 10, 2008, February 6, 2016 and November 19, 2017. The *Implementing Rules for the Interim Regulations of the PRC on Value-added Tax* (中華人民共和國增值稅暫行條例實施細則) (the “**Implementing Rules on VAT**”) was promulgated by the Ministry of Finance on December 25, 1993, first amended on December 15, 2008 and came into effect on January 1, 2009, subsequently amended on October 28, 2011 and effective on November 1, 2011. Under the *VAT Regulations and Implementing Rules on VAT*, entities and individuals selling goods, providing labour services of processing, repairing or maintenance, or selling services, intangible assets or real property in China, or importing goods to China, shall be identified as taxpayers of value-added tax, and shall pay value-added tax. Unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%.

According to the *Interim Regulations of the PRC on Business Tax* (中華人民共和國營業稅暫行條例) (the “**BT Regulations**”) promulgated by the State Council on December 13, 1993 and amended on November 10, 2008, all units and individuals providing taxable services as prescribed in these BT Regulations, transferring intangible assets or selling immovable properties within the territory of the PRC shall be taxpayers of business tax, and shall pay business tax in accordance with these Regulations. For taxpayers providing services, transferring intangible assets or selling immovable properties under different tax items, the turnover, transfer and sales volume under different tax items shall be accounted for respectively. Where the turnover has not been accounted for respectively, a higher tax rate shall apply. The BT Regulations has been abolished by the State Council on November 19, 2017.

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According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (財政部 國家稅務總局關於調整增值稅稅率的通知) issued on 4 April 2018 and became effective on 1 May 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

Dividend Withholding Tax

Pursuant to the *Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income* (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) effective from August 21, 2006, no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company.

Furthermore, pursuant to the *Circular of the State Administration of Taxation on Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties* (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated on and effective from February 20, 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident company: (a) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (b) owner's equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (c) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the 12 months prior to the acquisition of the dividends, reaches a percentage specified in the tax agreement.

In addition, according to the *Announcement of the State Administration of Taxation on Promulgation of the "Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties"* (非居民納稅人享受稅收協定待遇管理辦法), promulgated by the SAT on August 27, 2015, which became effective on November 1, 2015 and was amended on June 15, 2018, where a non-resident enterprise that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the convention treatment, it may be entitled to the convention treatment itself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

HISTORY AND BUSINESS DEVELOPMENT

We are a user management SaaS provider for online businesses and the leading interactive advertising platform operator in China, according to iResearch. According to iResearch, we ranked first in the user management SaaS market in China in terms of the number of registered mobile apps as of December 31, 2018 each with DAUs above one million; and in 2018, we ranked the first in China's mobile interactive advertising market in terms of revenue, with a market share of over 50%.

Our history dates back to 2011, when our founder, Mr. Chen Xiaoliang, established HZ Duiba, a principal operating subsidiary of our Company, in the PRC to develop our user management SaaS platform. See "Directors and Senior Management" for further details of the background and experience of Mr. Chen Xiaoliang. We launched our user management SaaS platform in 2014 to help businesses attract and retain online users in a cost-effective manner. Our user management SaaS platform offers various fun and engaging user management tools including reward points operation tools, marketing campaign tools, and check-in tools which attract mobile app users to increase mobile app user activity and the time spent on apps. Through these tools, we help businesses to manage and increase user activity in their mobile apps. As of December 31, 2018, more than 14,000 mobile apps had registered with our user management SaaS platform, reaching more than one billion mobile app users. We have also extended our user management SaaS to serve offline businesses (i.e., enterprises that primarily operate their businesses offline through physical outlets), serving 101 such businesses as of December 31, 2018.

In an effort to provide full-cycle services by satisfying businesses' demand for user acquisition and monetization, we pioneered and launched our interactive advertising business in 2015 to capitalize on the knowledge of mobile app user behavior across a range of scenarios which we had accumulated through our user management SaaS platform business. Our interactive advertising tools engage users through fun and interesting interactive activities, thereby directing them to the mobile internet page which our advertisers designate. Our interactive advertising business has allowed us to develop a new customer base from that of our user management SaaS business. Our interactive advertising business connects advertisers with our media partners, including online publishers and media agents. For advertisers, our solutions enable them to maximize the rate of return of their advertising spending. For media partners, our solutions enable them to benefit from the high conversion rate of our interactive advertising and effectively monetize their mobile user traffic.

In the first five years of our operating history, HZ Duiba was our only subsidiary and all of our businesses were carried out by HZ Duiba. Over the years, as our business expanded into different areas and to better organize and manage ourselves, we started to establish specific entities to house and carry on our different business activities. As of the Latest Practicable Date, we had seven key subsidiaries, being the Key Domestic Subsidiaries, and of which five had made a material contribution

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

to our results of operations during the Track Record Period. The principal business activities, registered capital, date and place of establishment of each of our Key Domestic Subsidiaries are set forth below:

Name of subsidiary	Principal business activities	Registered capital (RMB)	Place and date of establishment
HZ Duiba	User management SaaS platform business	1,586,894	PRC, May 13, 2011
HZ Tuia	Interactive advertising business; claw crane challenge business ⁽¹⁾	50,000,000	PRC, September 22, 2016
HZ Maibaola	Interactive advertising business	1,000,000	PRC, October 12, 2016
HZ Baiqi	Interactive advertising business	1,000,000	PRC, November 16, 2016
HZ Youfen	Youfen business ⁽²⁾	200,000	PRC, October 25, 2016
HZ Wanhai	No actual business	1,000,000	PRC, January 2, 2018
Khorgas Tuia	Interactive advertising business	10,000,000	PRC, January 25, 2018

Notes:

(1) The claw crane challenge business has been discontinued.

(2) See “Business” for details of our Youfen business.

For further information on our Key Domestic Subsidiaries, see “—Our Key Domestic Subsidiaries” below.

In preparation for the Listing, our Group underwent the Reorganization. As part of the Reorganization, our Company was incorporated on February 26, 2018 in the Cayman Islands as an exempted limited liability company to act as the holding company of our Group. Following the Reorganization, our business continues to be conducted through our subsidiaries. See “—Reorganization” below.

BUSINESS MILESTONES

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

Year	Event
2011	• HZ Duiba was established in the PRC
2014	• Our user management SaaS platform went online in July 2014
	• HZ Duiba obtained funding from its first round of equity investment

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Year	Event
2015	<ul style="list-style-type: none">• We launched our interactive advertising business• HZ Duiba obtained further funding from other rounds of equity investment
2016	<ul style="list-style-type: none">• HZ Duiba was named as the Most Influential Operating Service Platform of the Year 2016 (2016年度最具影響力運營服務平台獎) by 36Kr
2017	<ul style="list-style-type: none">• HZ Tuia received the Corporate Innovation Model Award 2017 (2017企業創新典範獎) from the China Finance Summit Organizing Committee (中國財經峰會組委會)
2018	<ul style="list-style-type: none">• Our Company was incorporated in the Cayman Islands• Orchid Asia and TPG became our Series C Investors and Shareholders• HZ Duiba was named in the 2018 Zheshang Pre-unicorn (2018浙商Pre獨角獸) list by the <i>Zheshang Magazine</i> (《浙商》雜誌)

OUR KEY DOMESTIC SUBSIDIARIES

All of the subsidiaries of our Company are directly or indirectly wholly owned by our Company and except as disclosed in this section, there have been no material changes in their shareholding since their respective dates of establishment.

HZ Duiba

Establishment

HZ Duiba was established in the PRC as a company with limited liability on May 13, 2011 with an initial registered capital of RMB100,000, and was then owned as to 50%, 25% and 25% by Mr. Chen Xiaoliang and two independent third parties, respectively. The registered capital was fully paid in cash on April 29, 2011 by the shareholders in their respective proportionate interest in the company. The establishment of HZ Duiba marked the foundation of our Group. At the time of its establishment, HZ Duiba was engaged in, among other things, advertising agency and cultural businesses.

As the business of HZ Duiba evolved and with a view to expand its business, on April 16, 2013, Mr. Chen Xiaoliang acquired the remaining interest in HZ Duiba from the two independent third party shareholders for an aggregate cash consideration of RMB50,000. The consideration was based on the then registered capital of HZ Duiba. Following the acquisition, HZ Duiba became wholly owned by Mr. Chen Xiaoliang. Subsequently, the registered capital of HZ Duiba was increased to RMB1 million and was fully paid up by May 20, 2013.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Series Seed Investment

As the business of HZ Duiba developed, we needed more capital to fund our expansion and over the history of our development we have introduced a number of investors investing into HZ Duiba. In addition, to incentivise our employees to work towards our long term growth plan we have invited certain key employees to become our shareholders and participate in our share award scheme.

In September 2014, we conducted our first round of fund raising — Series Seed Investment, and introduced our first investor, Dingju Maohua, into our Group. Dingju Maohua is a limited partnership established in the PRC and whose general partner is Dingju GP, a company engaged in the provision of investment management and consultancy services, which in turn is owned by Liu Yang as to 51.85% and the remaining by a company held by Liu Yang and Li Lingling as to 90% and 10%, respectively. Liu Yang and Li Lingling together through two limited partners hold approximately 15.25% interest in Dingju Maohua; and they also hold in aggregate a further effective interest of 2.44% in Dingju Maohua through minority interest in two other limited partners of Dingju Maohua. Liu Yang was a director of HZ Duiba from June 11, 2015 to April 7, 2018 and Li Lingling is the mother of Liu Yang. Dingju Maohua invested RMB2,250,000 in HZ Duiba for a 15% equity interest in HZ Duiba.

Concurrent with the Series Seed Investment, Mr. Chen Xiaoliang transferred a total of 36.5% equity interest in HZ Duiba to employees including Mr. Chen Gaowei (who held part of such interest as reserve for future grant of awards to our employees), Mr. Fang Hua, Mr. Xu Hengfei and Ms. Li Shanhong for a nominal consideration. Other than Mr. Chen Gaowei who left our Group in May 2016, these employees remained with our Group and some of them occupied key management positions as of the Latest Practicable Date. Mr. Fang Hua is our chief product officer and an executive Director, and Mr. Xu Hengfei is our chief technology officer and an executive Director.

In 2015, HZ Duiba raised further equity financing in a total amount of RMB37.8 million from two rounds of investment from a group of investors including Mr. Chen Xiaoliang and other independent third party investors. The last round of equity financing, which took place in October 2015, valued HZ Duiba at RMB200 million on a post-money basis. The investment amount was fully settled on October 29, 2015. Following completion of these investments, the registered capital of HZ Duiba was increased to its current level of RMB1,586,894.

Other shareholding transfers

Subsequent to the equity financing raised in 2015, HZ Duiba did not receive any further equity injection, although there had been a number of changes in the shareholding of HZ Duiba as a result of various transfers by our investors and other shareholders. Among such transfers, HZ Duiba ESOP Co. I acquired from Mr. Chen Gaowei, an ex-employee of our Group, a total of 7.56% equity interest in HZ Duiba for a nominal consideration of RMB1. Mr. Chen Gaowei held such equity interest for the benefits of the employee share award scheme of HZ Duiba. He transferred such interest to HZ Duiba ESOP Co. I when he left our Group. HZ Duiba ESOP Co. I subsequently transferred 1.89% equity interest in HZ Duiba to HZ Duiba ESOP Co. II for RMB100,000. Each of HZ Duiba ESOP Co. I and HZ Duiba ESOP Co. II is a limited partnership established in the PRC for the purpose of holding equity in HZ Duiba on behalf of our employees.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following table summarizes certain key transfers of the equity interests in HZ Duiba by its shareholders which occurred in 2018 but prior to the Reorganization:

Transferee	Approximate % of equity interest acquired	Purchase price (RMB)	Completion date
Mr. Chen Xiaoliang	6.86% ⁽¹⁾	56,251,180	March 11, 2018
	4.00% ⁽²⁾	32,807,380	March 11, 2018
	2.00% ⁽³⁾	20,000,000	April 7, 2018
	1.67% ⁽⁴⁾	13,661,200	March 11, 2018
	1.00% ⁽⁵⁾	10,000,000	April 7, 2018
	0.14% ⁽⁶⁾	1,148,000	March 11, 2018
Liu Yang	5.56% ⁽⁷⁾⁽⁹⁾	22,809,400	February 11, 2018
	3.22% ⁽⁵⁾	32,203,000	April 7, 2018
Li Yuhong	2.00% ⁽²⁾⁽¹⁰⁾	16,400,000	March 11, 2018
Li Lingling	3.00% ⁽⁵⁾⁽⁹⁾	30,000,000	April 7, 2018
Bao Xinglong	0.50% ⁽⁸⁾⁽¹⁰⁾	5,000,000	March 11, 2018

Notes:

- (1) The interest was acquired from 珠海廣發信德奧飛產業投資基金一期(有限合夥) (Zhuhai Guangfa Xinde Aofei Asset Investment No.1 LLP), an independent third party.
- (2) The interest was acquired from 深圳市前海國泰一號振華股權投資企業(有限合夥) (Shenzhen Qianhai Guotai No. 1 Zhenhua Investment LLP), an independent third party.
- (3) The interest was acquired from 杭州鼎聚景茂投資合夥企業(有限合夥), a partnership whose general partner is Dingju GP.
- (4) The interest was acquired from 北京智能管家科技有限公司 (Beijing Smart Butler Technology Co. Ltd.), an independent third party.
- (5) The interest was acquired from 寧波梅山保稅港區初華創業投資合夥企業(有限合夥) (Ningbo Meishan Bonded Port Zone Chuhua Venture Capital LLP), a partnership whose general partner is Dingju GP.
- (6) The interest was acquired from 珠海康遠投資企業(有限合夥) (Zhuhai Kangyuan Investment LLP), an independent third party.
- (7) The interest was acquired from Dingju Maohua.
- (8) The interest was acquired from Mr. Chen Yucui, the father of Mr. Chen Xiaoliang.
- (9) Liu Yang was a director of of HZ Duiba from June 11, 2015 to April 7, 2018. Li Lingling is the mother of Liu Yang.
- (10) Each of Li Yuhong and Bao Xinglong is an independent third party of our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholding immediately prior to the Reorganization

The following table sets forth the list of shareholders of, and their respective equity interest in, HZ Duiba immediately prior to the Reorganization:

Shareholder of HZ Duiba	Relationship with our Group	Approximate % of interest
Mr. Chen Xiaoliang	Chairman, CEO and executive Director	56.65%
Mr. Chen Yucai	Father of Mr. Chen Xiaoliang	3.05%
Ms. He Wanzhen	Mother of Mr. Chen Xiaoliang	2.33%
HZ Duiba ESOP Co. I ⁽¹⁾	Employee share scheme	5.67%
HZ Duiba ESOP Co. II ⁽¹⁾	Employee share scheme	1.89%
Mr. Xu Hengfei (徐恒飛)	Chief technology officer and executive director	3.09%
Mr. Fang Hua (方華)	Chief product officer and executive director	1.52%
Ms. Li Shan hong (黎珊紅)	Employee of our Group	0.76%
Liu Yang (柳陽)	Investor and a past director of HZ Duiba	10.12%
Dingju Jingmao ⁽²⁾	Investor	5.17%
Li Lingling (李玲玲)	Investor and the mother of Liu Yang	3.00%
Ningbo Mingxi	Investor and independent third party	3.00%
Li Yuhong (李宇紅)	Investor and independent third party	2.00%
Bao Xinglong (包興隆)	Investor and independent third party	1.00%
Xu Lu (徐璐)	Investor and independent third party	0.50%
Xian Qizhao (洗啟釗)	Investor and independent third party	0.25%

Notes:

- (1) Mr. Chen Xiaoliang is the only general partner of each of HZ Duiba ESOP Co. I and HZ Duiba ESOP Co. II.
- (2) Dingju Jingmao is a limited partnership established in the PRC and whose partners are Dingju GP (0.03%), Liu Hongyan (33.27%), Han Feixiang (27.80%), Cao Ying (15.04%), Zhu Xiaoli (15.00%) and Yao Yin (8.86%). The general partner of Dingju Jingmao is Dingju GP, which in turn is ultimately owned by Liu Yang and Li Lingling.

Prior to the establishment of our other subsidiaries, HZ Duiba was our only operating company and hence all our business operations in different segments including user management SaaS platform business and interactive advertisement business were carried out by HZ Duiba. Following the Reorganization, the primary business of HZ Duiba is the operation of our user management SaaS platform business and HZ Duiba also serves as our holding company in the PRC.

HZ Tuia

Our interactive advertising business launched in 2015 and the business expanded rapidly. As a result, we wanted to set up a separate company dedicated to operating our interactive advertising business and hence we established HZ Tuia. HZ Tuia was established in the PRC as a company with limited liability on September 22, 2016 with an initial registered capital of RMB200,000. HZ Tuia is

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

wholly owned by HZ Duiba. The initial registered capital was fully paid on December 2, 2016. On November 14, 2017, the registered capital of HZ Tuia was increased to RMB50,000,000. As of the Latest Practicable Date, the paid up capital of HZ Tuia was RMB200,000 with the balance of the registered capital to be contributed by HZ Tuia before January 1, 2030. As of the Latest Practicable Date, our interactive advertising business is primarily carried out by HZ Tuia. HZ Tuia was also engaged in the business of selling online tokens to play the claw crane challenge in our mobile app before we discontinued such business during the Track Record Period.

HZ Maibaola

HZ Maibaola was established in the PRC on October 12, 2016 with an initial registered capital of RMB200,000 which was subsequently increased to RMB1,000,000. HZ Maibaola is wholly owned by HZ Duiba. As of the Latest Practicable Date, the paid up capital of HZ Maibaola was RMB200,000 with the balance of the registered capital to be contributed by HZ Duiba before January 1, 2030. HZ Maibaola is principally engaged in our interactive advertising business.

HZ Baiqi

HZ Baiqi was established in the PRC as a company with limited liability on November 16, 2016 with an initial registered capital of RMB200,000. At the time of its establishment, HZ Baiqi was wholly owned by HZ Duiba and HZ Duiba fully paid up the initial registered capital. In January 2018, the registered capital of HZ Baiqi was increased to RMB1,000,000 with the additional registered capital to be contributed before January 1, 2030 by HZ Duiba as to RMB400,000 and as to the balance of RMB400,000 by HZ Baiqi ESOP Co. HZ Baiqi ESOP Co. was established as part of our Group's plan to set up an employee share scheme for HZ Baiqi. However, such plan did not proceed as we decided to merge such plan with the plans managed under HZ Duiba ESOP Co. I and HZ Duiba ESOP Co. II, which were established for such purpose by HZ Duiba. Accordingly, on May 7, 2018, HZ Duiba and HZ Baiqi ESOP Co. entered into an equity transfer agreement pursuant to which HZ Baiqi ESOP Co. agreed to transfer to HZ Duiba the 40% equity interest in HZ Baiqi to HZ Duiba for nil consideration. The transfer was completed on May 7, 2018. HZ Baiqi is principally engaged in our interactive advertising business.

HZ Youfen

HZ Youfen was established in the PRC on October 25, 2016 with a fully paid up registered capital of RMB200,000. HZ Youfen is wholly owned by HZ Duiba. HZ Youfen is the primary operating company for our mobile user management solution business. Our mobile user management solution business helps mobile app owners generate traffic on platforms such as WeChat. HZ Youfen is the primary operating company for our Youfen business and the holding company of a number of our subsidiaries in the PRC whose purpose is to hold accounts with various online platforms. See "Business—Our Business—Other Businesses" for details of our Youfen business.

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HZ Wanhai

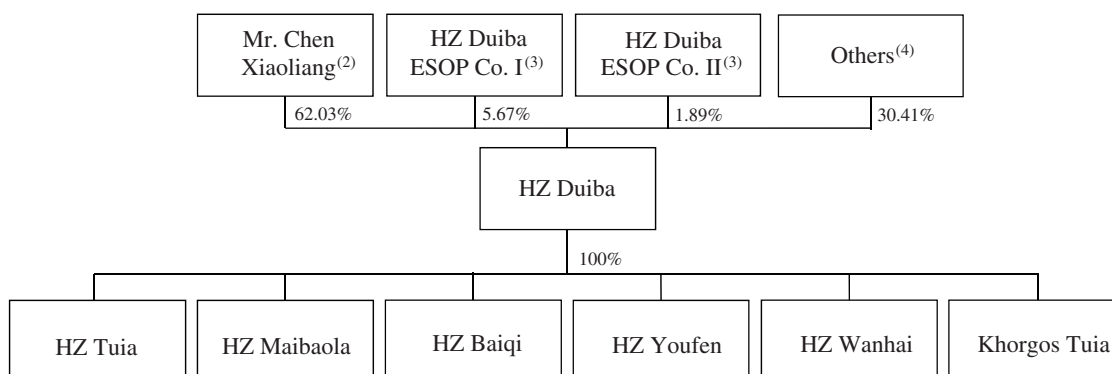
HZ Wanhai was established in the PRC as a limited liability company on January 2, 2018 with a registered capital of RMB1,000,000. HZ Wanhai is wholly owned by HZ Duiba. As of the Latest Practicable Date, the paid up capital of HZ Wanhai was RMB100,000 with the balance of the registered capital to be contributed by HZ Wanhai before January 1, 2030.

Khorgas Tuia

Khorgas Tuia was established in the PRC as a limited liability company on January 25, 2018 with a registered capital of RMB10,000,000. Khorgas Tuia is wholly owned by HZ Duiba. As of the Latest Practicable Date, the paid up capital of Khorgas Tuia was RMB360,000 with the balance of the registered capital to be contributed by HZ Duiba before January 1, 2030. Khorgas Tuia is principally engaged in our interactive advertising business.

Corporate Structure Immediately Prior to the Reorganization

The following chart sets forth the corporate structure of HZ Duiba and its principal subsidiaries immediately prior to the Reorganization:



Notes:

- (1) Each of HZ Duiba and its principal subsidiaries set out in the chart above are entities established in the PRC.
- (2) The 62.03% equity interest in HZ Duiba held by Mr. Chen Xiaoliang includes Mr. Chen Yucai's and Ms. He Wanzhen's interests. Mr. Chen Yucai and Ms. He Wanzhen are the parents of Mr. Chen Xiaoliang.
- (3) Each of HZ Duiba ESOP Co. I and HZ Duiba ESOP Co. II is a partnership established in the PRC for the purposes of holding equity in HZ Duiba on behalf of our employees. Mr. Chen Xiaoliang is the only general partner of each of HZ Duiba ESOP Co. I and HZ Duiba ESOP Co. II.

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(4) The group of other shareholders and their respective equity interest in HZ Duiba are as follows:

Shareholder of HZ Duiba	Relationship with our Group	Approximate % of interest
Mr. Xu Hengfei	Chief technology officer and an executive Director	3.09%
Mr. Fang Hua	Chief product officer and an executive Director	1.52%
Ms. Li Shan hong	Employee of our Group	0.76%
Liu Yang	Investor and a past director of HZ Duiba	10.12%
Dingju Jingmao ⁽⁵⁾	Investor	5.17%
Li Lingling	Investor and the mother of Liu Yang	3.00%
Ningbo Mingxi ⁽⁶⁾	Investor and independent third party	3.00%
Li Yuhong	Investor and independent third party	2.00%
Bao Xinglong	Investor and independent third party	1.00%
Xu Lu	Investor and independent third party	0.50%
Xian Qizhao	Investor and independent third party	0.25%

(5) Dingju Jingmao is a limited partnership established in the PRC and whose partners are Dingju GP (0.03%), Liu Hongyan (33.27%), Han Feixiang (27.80%), Cao Ying (15.04%), Zhu Xiaoli (15.00%) and Yao Yin (8.86%). The general partner of Dingju Jingmao is Dingju GP, which in turn is ultimately owned by Liu Yang and Li Lingling.

(6) Ningbo Mingxi is a company established in the PRC owned by three corporate shareholders, each of whom is an independent third party. Zhao Tao, being the sole shareholder of Lingxi Holding Limited, has an indirect interest in Ningbo Mingxi.

REORGANIZATION

In preparation for the Listing, our Group underwent the Reorganization which involved the following steps.

Conversion of HZ Duiba into a Sino-foreign Joint Venture Company

As a first step of the Reorganization, we needed to convert HZ Duiba, which is the PRC holding company of our PRC subsidiaries, into a sino-foreign joint venture company. To achieve that, we introduced a foreign investor to HZ Duiba. Specifically, Mr. Chen Xiaoliang transferred a 1.3% equity interest in HZ Duiba to Jiang Weili, who is a non-PRC resident and an independent third party. The consideration for the transfer was RMB10,660,000 payable in cash and the amount was determined based on the valuation of HZ Duiba of RMB820 million as of March 31, 2018 as agreed between Mr. Chen Xiaoliang and Jiang Weili by reference to the transacted price in the last transfer of equity

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

interest in HZ Duiba. The transfer was completed on May 28, 2018 and the consideration was fully settled by June 19, 2018. As a result of the transfer, HZ Duiba became a sino-foreign joint venture company under the applicable PRC laws and its shareholding structure was as follows:

Shareholder of HZ Duiba	Relationship with our Group	Approximate % of interest
Mr. Chen Xiaoliang ⁽¹⁾	Chairman, CEO and an executive Director	60.73%
HZ Duiba ESOP Co. I ⁽²⁾	Employee share scheme	5.67%
HZ Duiba ESOP Co. II ⁽²⁾	Employee share scheme	1.89%
Mr. Xu Hengfei	Chief technology officer and an executive Director	3.09%
Mr. Fang Hua	Chief product officer and an executive Director	1.52%
Ms. Li Shan hong	Employee of our Group	0.76%
Liu Yang	Investor and a past director of HZ Duiba	10.12%
Dingju Jingmao ⁽³⁾	Investor	5.17%
Li Lingling	Investor and the mother of Liu Yang	3.00%
Ningbo Mingxi	Investor and independent third party	3.00%
Li Yuhong	Investor and independent third party	2.00%
Bao Xinglong	Investor and independent third party	1.00%
Xu Lu	Investor and independent third party	0.50%
Xian Qizhao	Investor and independent third party	0.25%
Jiang Weili	Investor and independent third party	1.30%

Notes:

- (1) The equity interest in HZ Duiba held by Mr. Chen Xiaoliang includes Mr. Chen Yucai's and Ms. He Wanzhen's interests. Mr. Chen Yucai and Ms. He Wanzhen are the parents of Mr. Chen Xiaoliang.
- (2) Each of HZ Duiba ESOP Co. I and HZ Duiba ESOP Co. II is a partnership established in the PRC for the purposes of holding equity interest in HZ Duiba on behalf of certain employees. Mr. Chen Xiaoliang is the only general partner of each of HZ Duiba ESOP Co. I and HZ Duiba ESOP Co. II.
- (3) Dingju Jingmao is a limited partnership established in the PRC and whose partners are Dingju GP (0.03%), Liu Hongyan (33.27%), Han Feixiang (27.80%), Cao Ying (15.04%), Zhu Xiaoli (15.00%) and Yao Yin (8.86%). The general partner of Dingju Jingmao is Dingju GP, which in turn is ultimately owned by Liu Yang and Li Lingling.

Incorporation of our Company

Our Company was incorporated to act as the holding company of our Group following the Reorganization.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 26, 2018 with an authorized share capital of US\$50,000 divided into 500,000,000

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shares of a par value of US\$0.0001 each. On the date of incorporation of our Company, one share was issued and allotted to the first subscriber, an independent third party, for US\$0.0001 and was fully paid-up. Such share was subsequently transferred to XL Holding on the same day. XL Holding is a company incorporated in the BVI and was then wholly owned by Mr. Chen Xiaoliang.

Reclassification of the Share Capital of our Company

On May 31, 2018, the authorized share capital of our Company was reclassified and re-designated as follows:

Number	Class of shares	Share capital (US\$)
467,240,800	Ordinary Shares of US\$0.0001 each	46,724.08
13,759,200	Series Angel Preferred Shares of US\$0.0001 each	1,375.92
9,000,000	Series C-1 Preferred Shares of US\$0.0001 each	900.00
<u>10,000,000</u>	Series C-2 Preferred Shares of US\$0.0001 each	<u>1,000.00</u>
<u><u>500,000,000</u></u>		<u><u>50,000.00</u></u>

The one issued share registered in the name of XL Holding was reclassified and re-designated as an Ordinary Share.

Allotment and Issue of Ordinary Shares and Series Angel Preferred Shares

On May 31, 2018, our Company allotted and issued a total of 89,999,999 shares (the “**Duiba Mirror Shares**”) comprising 76,240,799 Ordinary Shares and 13,759,200 Series Angel Preferred Shares, for a total subscription price of US\$6,547,767 or US\$0.07275 per share as follows:

Ordinary Shares

Subscriber	Number of Shares	% of shareholding	Subscription price (US\$)
XL Holding* ⁽¹⁾ ⁽²⁾	47,455,200	52.73%	3,452,507
Mr. Chen Xiaoliang	7,200,000	8.00%	523,821
Duiba ESOP Co.* ⁽³⁾	6,805,710	7.56%	495,136
Hengfei Holding Limited* ⁽⁴⁾	2,782,440	3.09%	202,431
Fanghua Holding Limited* ⁽⁵⁾	1,369,980	1.52%	99,670
Shanhong Holding Limited* ⁽⁶⁾	682,470	0.76%	49,652
Lilingling Holding Limited* ⁽⁷⁾	2,700,000	3.00%	196,433
Lingxi Holding Limited* ⁽⁸⁾	2,700,000	3.00%	196,433
Liyuhong Holding Limited* ⁽⁹⁾	1,800,000	2.00%	130,955
Baoxinglong Holding Limited* ⁽¹⁰⁾	900,000	1.00%	65,478
Xulu Holding Limited* ⁽¹¹⁾	450,000	0.50%	32,739
Qizhao Holding Limited* ⁽¹²⁾	225,000	0.25%	16,369
Weili Holding Limited* ⁽¹³⁾	1,170,000	1.30%	85,121

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Notes:

- * Each of these companies is incorporated in the BVI and its principal business is investment holding.
- (1) The entire issued share capital of XL Holding is wholly-owned by Blissful Plus, a company incorporated in the BVI, which in turn is wholly-owned by Antopex Limited. Antopex Limited is a company incorporated in the BVI and wholly-owned by CMB Wing Lung (Trustee) Limited as trustee of the Chen's Family Trust. The Chen's Family Trust is a discretionary trust established by Mr. Chen Xiaoliang (as settlor) on August 15, 2018 and its beneficiaries are Mr. Chen Xiaoliang and his family members.
- (2) This also includes the existing one Share held by XL Holding prior to the allotment and issue of the Duiba Mirror Shares.
- (3) Duiba ESOP Co. is a company owned by certain employees of our Group established for the purposes of holding shares on behalf of our employees.
- (4) Hengfei Holding Limited is a company wholly owned by Xu Hengfei, our chief technology officer and an executive Director.
- (5) Fanghua Holding Limited is a company wholly owned by Fang Hua, our chief product officer and an executive Director.
- (6) Shanhong Holding Limited is a company wholly owned by Li Shanhong, an employee of our Group.
- (7) Lilingling Holding Limited is a company wholly owned by Li Lingling, the mother of Liu Yang.
- (8) Lingxi Holding Limited is a company wholly owned by Zhao Tao, an independent third party.
- (9) Liyuhong Holding Limited is a company wholly owned by Li Yuhong, an independent third party.
- (10) Baoxinglong Holding Limited is a company wholly owned by Bao Xinglong, an independent third party.
- (11) Xulu Holding Limited is a company wholly owned by Xu Lu, an independent third party.
- (12) Qizhao Holding Limited is a company wholly owned by Xian Qizhao, an independent third party.
- (13) Weili Holding Limited is a company wholly owned by Jiang Weili, an independent third party.
- (14) Each of the above named individuals, other than Jiang Weili, is a PRC citizen.

Series Angel Preferred Shares

Subscriber	Number of shares	% of shareholding	Subscription price (US\$)
Xinran Group Holding Limited ^{*(1)}	7,305,570	8.12%	531,502
Jingmao International Limited ^{*(2)}	4,653,630	5.17%	338,565
Li Lingling	1,800,000	2.00%	130,955

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- * Each of these companies is incorporated in the BVI and its principal business is investment holding.
- (1) Xinran Group Holding Limited is a company wholly owned by Liu Yang, a past director of HZ Duiba from June 11, 2015 to April 7, 2018.
- (2) Jingmao International Limited is a company owned by Liu Yang (0.03%), Li Lingling (0.002%), Liu Hongyan (33.27%), Han Feixiang (27.80%), Cao Ying (15.04%), Zhu Xiaoli (15.00%) and Yao Yin (8.86%), each of them (other than Liu Yang and Li Lingling) is an independent third party. Liu Yang is the sole director of Jingmao International Limited. Jingmao International Limited is owned by all of the partners of Dingju Jingmao, (and in the case of the general partner, the ultimate owners) in their relative effective proportionate interests in Dingju Jingmao.

The total subscription amount of US\$6,547,767 (equivalent to approximately RMB42,000,000) for the Duiba Mirror Shares was based on the purchase price for the acquisition of the entire equity interest in HZ Duiba by Duiba HK as referred to in “Acquisition of HZ Duiba by Duiba HK” below. The Series Angel Preferred Shares are convertible into Ordinary Shares on a one-to-one basis (subject to adjustments) and on distribution of our assets to shareholders upon liquidation of our Company rank behind Series C Shares and ahead of Ordinary Shares. Series C Preferred Shares entitled holders thereto to vote at general meetings of our Company on an as-converted basis. Holders of Series Angel Preferred Shares are entitled to certain special rights, see “Pre-IPO Investments—Special Rights of the Pre-IPO Investors” for further information.

The subscription of the Duiba Mirror Shares was to largely mirror the shareholding structure of HZ Duiba immediately prior to the Reorganization. The subscribers are investment holding companies established by the HZ Duiba shareholders (or their ultimate owners). The Series Angel Preferred Shares were allotted and issued to the Shareholders whose affiliated entities in HZ Duiba immediately prior to the Reorganization were holding interest in HZ Duiba from the Series Seed Investment.

Series C Investment

On March 21, 2018 and April 9, 2018, our Company and certain other members of our Group and shareholders entered into share subscription agreements with Orchid Asia and TPG, respectively. Under the subscription agreements, (i) Orchid Asia agreed to subscribe for 6,300,000 Series C-1 Preferred Shares for US\$35 million and 7,000,000 Series C-2 Preferred Shares for US\$42 million, and (ii) TPG agreed to subscribe for 2,700,000 Series C-1 Preferred Shares for US\$15 million and 3,000,000 Series C-2 Preferred Shares for US\$18 million. The subscription of the Preferred Shares by Orchid Asia and TPG was completed on May 31, 2018, and the total subscription amount of US\$110 million was settled in full and received by our Company on June 1, 2018. The Series C Preferred Shares are convertible into Ordinary Shares on a one-to-one basis (subject to adjustments) and on distribution of our assets to shareholders upon liquidation of our Company rank ahead of Series Angel Preferred Shares and Ordinary Shares. Series C Preferred Shares entitled holders thereto to vote at general meetings of our Company on an as-converted basis.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Immediately following the allotment and issue of the Series C Preferred Shares to Orchid Asia and TPG, on May 31, 2018, our Company repurchased 7,200,000 Ordinary Shares from Mr. Chen Xiaoliang and 1,800,000 Series Angel Preferred Shares from Li Lingling for a cash consideration of US\$40 million and US\$10 million, respectively, representing a repurchase price of approximately US\$5.56 per share.

Following completion of the Series C Investment and the share repurchases referred to above, the Series C Investors held an aggregate of 9,000,000 Series C-1 Preferred Shares and 10,000,000 Series C-2 Preferred Shares, representing 19.0% of the enlarged issued share capital of our Company, and our shareholding was as follows:

Shareholder	Number and class of shares held	% of shareholding
XL Holding	47,455,200 Ordinary Shares	47.46%
Duiba ESOP Co.	6,805,710 Ordinary Shares	6.81%
Hengfei Holding Limited	2,782,440 Ordinary Shares	2.78%
Fanghua Holding Limited	1,369,980 Ordinary Shares	1.37%
Shanhong Holding Limited	682,470 Ordinary Shares	0.68%
Lilingling Holding Limited	2,700,000 Ordinary Shares	2.70%
Lingxi Holding Limited	2,700,000 Ordinary Shares	2.70%
Liyuhong Holding Limited	1,800,000 Ordinary Shares	1.80%
Baoxinglong Holding Limited	900,000 Ordinary Shares	0.90%
Xulu Holding Limited	450,000 Ordinary Shares	0.45%
Qizhao Holding Limited	225,000 Ordinary Shares	0.23%
Weili Holding Limited	1,170,000 Ordinary Shares	1.17%
Xinran Group Holding Limited	7,305,570 Series Angel Preferred Shares	7.31%
Jingmao International Limited	4,653,630 Series Angel Preferred Shares	4.65%
Orchid Asia	7,000,000 Series C-2 Preferred Shares	7.00%
	6,300,000 Series C-1 Preferred Shares	6.30%
TPG Growth IV SF Pte. Ltd.	3,000,000 Series C-2 Preferred Shares	3.00%
	2,700,000 Series C-1 Preferred Shares	2.70%
		<u>100.00%</u>

See “Pre-IPO Investments” for further information of the Series C Investors.

Incorporation of Duiba HK

As part of the Reorganization, Duiba HK was incorporated to act as the intermediate holding company of our PRC subsidiaries. Duiba HK was incorporated on April 11, 2018 with an issued share capital of HK\$1.00 comprising one share with no par value, which was allotted and issued at HK\$1.00 to our Company on incorporation. Duiba HK is wholly owned by our Company. As of the Latest Practicable Date, Duiba HK has no business operations other than investment holding in HZ Duiba.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Acquisition of HZ Duiba by Duiba HK

On May 28, 2018, Duiba HK entered into several equity transfer agreements with the then shareholders of HZ Duiba, namely Mr. Chen Xiaoliang, Mr. Chen Yucai, Ms. He Wanzhen, HZ Duiba ESOP Co. I, HZ Duiba ESOP Co. II, Mr. Xu Hengfei, Mr. Fang Hua, Ms. Li Shanhong, Liu Yang, Dingju Jingmao, Li Lingling, Ningbo Mingxi, Li Yuhong, Bao Xinglong, Xu Lu, Xian Qizhao and Jiang Weili, pursuant to which Duiba HK agreed to acquire and the shareholders of HZ Duiba agreed to sell their respective equity interest in HZ Duiba for an aggregate cash consideration of RMB41,999,990. The consideration was determined with reference to the net asset value of HZ Duiba as of March 31, 2018. The above transfers were completed on June 5, 2018 and the consideration was fully settled on August 16, 2018.

Employee share award platform

We established an employee share award platform to incentivise certain employees of our Group and retain them for continuing service for development of our Group, and to attract suitable personnel for our Group's long-term growth.

HZ Duiba ESOP Co. I and HZ Duiba ESOP Co. II were established for such purposes. After the Reorganization, Duiba ESOP Co. became our employee share award platform for our Group. The purpose of the platform is to allow such employees to share the growth in performance of our Group, and the potential appreciation of our value. Selected employees are granted interest in Duiba ESOP Co. for free. The grant is usually subject to a four-year vesting period and other vesting conditions. An award may be revoked under certain circumstances, for example, if the employee's employment with our Group is terminated, or if the employee violates any of our internal policies or engages in any competing business.

Adoption of the Duiba Share Award Scheme

To recognize contributions by employees and to attract suitable personnel for the further development of our Group, on April 17, 2019, our Company adopted the Duiba Share Award Scheme. The ESAS Trustee, a company incorporated in the BVI and wholly owned by Mr. Chen Xiaoliang, acted as the trustee to the Duiba Share Award Scheme. Among the 47,455,200 ordinary shares of US\$0.0001 each in our Company held by XL Holding, 2,000,000 ordinary shares were transferred to the ESAS Trustee at nil consideration on trust for the purpose of the Duiba Share Award Scheme on 16 September 2018. Upon completion of such transfer, XL Holding and the ESAS Trustee held 45.46% and 2.00% of the issued share capital of our Company, respectively.

Establishment of the Chen's Family Trust

On October 25, 2018, Mr. Chen Xiaoliang transferred his entire interest in XL Holding to Blissful Plus for nil consideration as settlement of the Chen's Family Trust. Blissful Plus is a company wholly-owned by Antopex Limited, which in turn is wholly-owned by CMB Wing Lung (Trustee) Limited as trustee for the Chen's Family Trust. The Chen's Family Trust is a discretionary trust established by Mr. Chen Xiaoliang as the settlor on August 15, 2018 and its beneficiaries are Mr. Chen Xiaoliang and his family members. Notwithstanding the transfer of the entire share capital in XL

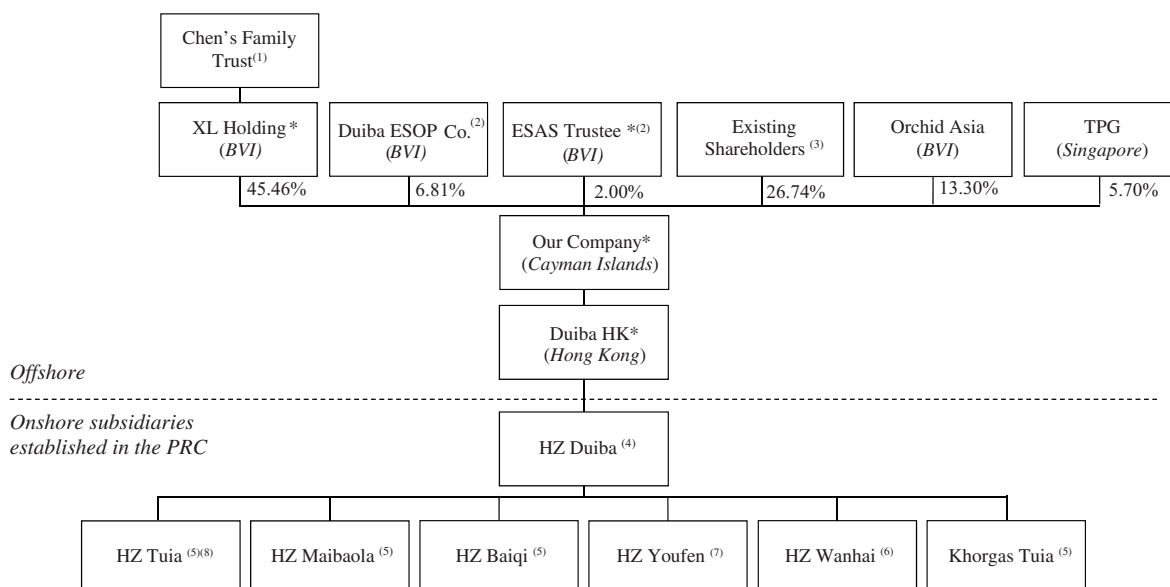
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Holding to the Chen's Family Trust, Mr. Chen Xiaoliang remains in control of XL Holding and the Chen's Family Trust on the following basis: (a) the beneficiaries of the Chen's Family Trust are family members of Mr. Chen Xiaoliang, who are his associates as defined under the Listing Rules; (b) Mr. Chen Xiaoliang is the sole director of XL Holding. The articles of association of XL Holding provide that the business of the company shall be managed by its directors, and the directors are authorized to exercise all such powers of the company necessary for managing and for directing and supervising the business and affairs of the company; and (c) under the Chen's Family Trust arrangement, Mr. Chen Xiaoliang as the settlor has the power to appoint and remove any protector, who in turn, has the power to appoint and remove the trustee.

As confirmed by our Directors, each of the share transfers made in the Reorganization was properly and legally completed and settled. No approval is required from the relevant regulatory authorities.

Our PRC Legal Advisor has confirmed that all applicable regulatory approvals in relation to all equity transfers described in this section related to our PRC subsidiaries have been obtained and the procedures involved have been carried out in accordance with all applicable PRC laws and regulations. Our PRC Legal Advisor has further confirmed that the equity transfers as described above have been properly and legally completed.

The following chart sets forth the shareholding and corporate structure of our Company including our Key Domestic Subsidiaries immediately upon completion of the Reorganization (unless otherwise specified, each subsidiary is 100% owned by its holding company):



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- * The mark “*” indicates that the principal business of each of these companies is investment holding.
- (1) The entire issued share capital of XL Holding is wholly-owned by Blissful Plus, a company incorporated in the BVI, which in turn is wholly-owned by Antopex Limited. Antopex Limited is a company incorporated in the BVI and wholly-owned by CMB Wing Lung (Trustee) Limited as trustee of the Chen’s Family Trust. The Chen’s Family Trust is a discretionary trust established by Mr. Chen Xiaoliang (as settlor) on August 15, 2018 and its beneficiaries are Mr. Chen Xiaoliang and his family members.
- (2) Duiba ESOP Co. is a company owned by certain employees of our Group established for the purposes of holding shares on behalf of our employees. In order to recognize contributions by certain employees and to attract suitable personnel for the further development of the Group, on April 17, 2019, our Company adopted the Duiba Share Award Scheme. The ESAS Trustee, a company incorporated in the BVI and owned by Mr. Chen Xiaoliang, acted as the trustee to the Duiba Share Award Scheme. Among the 47,455,200 ordinary shares of US\$0.0001 each in our Company then held by Mr. Chen Xiaoliang through XL Holding, 2,000,000 ordinary shares had been transferred to the ESAS Trustee at nil consideration on trust for the purpose of the Duiba Share Award Scheme on 16 September 2018.

- (3) The existing Shareholders are:

Shareholder	Number and class of shares held	% of shareholding
Hengfei Holding Limited	2,782,440 Ordinary Shares	2.78%
Fanghua Holding Limited	1,369,980 Ordinary Shares	1.37%
Shanhong Holding Limited	682,470 Ordinary Shares	0.68%
Lilingling Holding Limited	2,700,000 Ordinary Shares	2.70%
Lingxi Holding Limited	2,700,000 Ordinary Shares	2.70%
Liyuhong Holding Limited	1,800,000 Ordinary Shares	1.80%
Baoxinglong Holding Limited	900,000 Ordinary Shares	0.90%
Xulu Holding Limited	450,000 Ordinary Shares	0.45%
Qizhao Holding Limited	225,000 Ordinary Shares	0.23%
Weili Holding Limited	1,170,000 Ordinary Shares	1.17%
Xinran Group Holding Limited	7,305,570 Series Angel Preferred Shares	7.31%
Jingmao International Limited	4,653,630 Series Angel Preferred Shares	4.65%

- (4) The principal business of HZ Duiba is operating our user management SaaS platform business.
- (5) The principal business of these subsidiaries is operating our interactive advertising business.
- (6) HZ Wanhai has no actual business.
- (7) The principal business of HZ Youfen is operating our Youfen business. See “Business—Our Businesses—Other Businesses” in this prospectus for details of our Youfen business. HZ Youfen is also the holding company of a number of our subsidiaries in the PRC whose purpose is to hold accounts with various online platforms.
- (8) HZ Tuia was also engaged in the business of selling online tokens to pay claw crane challenge in our mobile app before we discontinued such business during the Track Record Period.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRC Regulatory Requirements

Our PRC Legal Advisor has confirmed that the Reorganization, share transfers and acquisitions in respect of the PRC companies in our Group described in this section have been properly and legally completed and all regulatory approvals have been obtained in accordance with PRC laws and regulations.

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, China Securities Regulatory Commission (the “CSRC”), the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 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 other things, further purport to 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.

Article 11 of the M&A Rules regulates “affiliated mergers”, which refers to the circumstance where a domestic company or enterprise or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, and an approval from MOFCOM is required.

Our PRC Legal Advisor is of the opinion that (i) at the time when the acquisition of the 1.3% equity interest in HZ Duiba by Jiang Weili took place, Jiang Weili was a citizen of Australia and was not a domestic natural person under the M&A Rules and thus the acquisition does not constitute and should not be deemed to be a transaction requiring approval from both MOFCOM and CSRC under the M&A Rules and the reporting requirement under Article 11 of the M&A Rules should not apply, (ii) the acquisition of the 1.3% equity interest in HZ Duiba by Jiang Weili, as a result of which HZ Duiba was converted into a sino-foreign joint venture company, is subject to the M&A Rules, and Hangzhou Xihu Commercial Bureau filed such acquisition on May 24, 2018 in accordance with the M&A Rules and granted a receipt to HZ Duiba for the conversion of HZ Duiba into a sino-foreign joint venture company, and the Market Supervision Bureau of Hangzhou granted a new business license on May 28, 2018 to HZ Duiba for its alteration registration. The revised business license stated that the nature of HZ Duiba has then become that of a limited liability company (sino-foreign joint venture) and thus HZ Duiba has then been considered as a foreign-invested enterprise, (iii) such acquisition is not an “affiliated merger” as specified in Article 11 of the M&A Rules as Jiang Weili is an independent third party, and therefore is not subject to approval from MOFCOM, and (iv) HZ Duiba has obtained approvals from all relevant authorities and has complied with the requirements under the M&A Rules.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Meanwhile, according to the Foreign Investment Access Management Guidance Manual (外商投資准入管理指引手冊) promulgated by MOFCOM on December 18, 2008, notwithstanding the fact that (i) the domestic shareholder is connected with the foreign investor or not, or (ii) the foreign investor is the existing shareholder or the new investor, the M&A Rules shall not apply to the transfer of an equity interest in an incorporated foreign invested enterprise from the domestic shareholder to the foreign investor. On the basis that HZ Duiba has become a foreign invested enterprise while its 100% equity interest was transferred to Duiba HK, the legal nature of such transfer was a transfer of equity in a foreign invested enterprise rather than a domestic enterprise as defined in the M&A Rules. Therefore, the acquisition of 100% equity interest in HZ Duiba did not fall under the M&A Rules and instead falls under the Provision for the Alteration of Investors' Equities in Foreign Invested Enterprises (《外商投資企業投資者股權變更的若干規定》).

SAFE REGISTRATION

Pursuant to SAFE Circular 37, promulgated by SAFE and which became effective on July 4, 2014, (i) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the “Overseas SPV”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (ii) 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 of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

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

As advised by our PRC Legal Advisor, the individual owners of our Shareholders who are PRC citizens have completed their registration under the SAFE Circular 37 on April 8, 2018.

CONVERSION OF THE PREFERRED SHARES INTO ORDINARY SHARES

Holders of the Preferred Shares have agreed that conditional on (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (ii) the Offer Price having been determined, (iii) the Underwriting Agreements being executed by the parties thereto and delivered on or before the dates as mentioned in this prospectus, and (iv) the obligations of the Underwriters under the Underwriting Agreements becoming

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

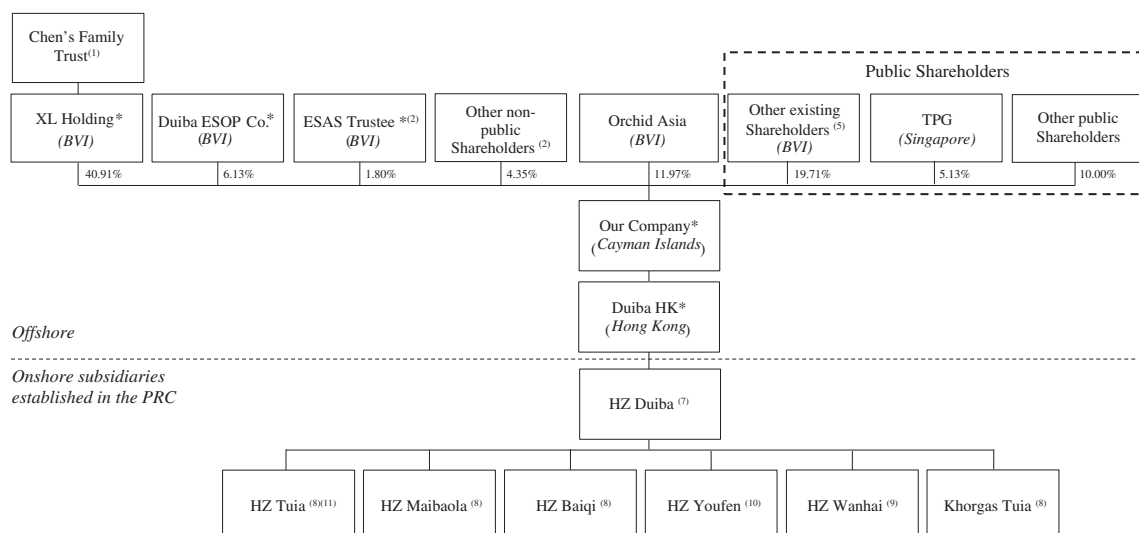
unconditional and not being terminated in accordance with the terms of the respective Underwriting Agreements or otherwise, all the 11,959,200 Series Angel Preferred Shares and 19,000,000 Series C Preferred Shares, representing all the issued Preferred Shares, are to be converted into 30,959,200 Ordinary Shares. Following which the authorized share capital of the Company will become US\$50,000.00, divided into 500,000,000 Ordinary Shares with a par value of US\$0.0001 each.

SHARE SUBDIVISION

Conditional on (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (ii) the Offer Price having been determined, (iii) the Underwriting Agreements being executed by the parties thereto and delivered on or before the dates as mentioned in this prospectus, and (iv) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the respective Underwriting Agreements or otherwise, and following the conversion of all the Preferred Shares into Ordinary Shares, all the issued and unissued Ordinary Shares of par value US\$0.0001 each in the capital of our Company will be sub-divided into 10 Shares of par value US\$0.00001 each. Following the Share Subdivision, our authorized share capital will be US\$50,000 divided into 5,000,000,000 Shares.

CORPORATE STRUCTURE

The following chart sets forth the shareholding and corporate structure of our Company and our principal operating subsidiaries immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised) (unless otherwise specified, each subsidiary is 100% owned by its holding company):



Notes:

* The mark “*” indicates that the principal business of each of these companies is investment holding.

The mark “#” indicates these individuals are each an independent third party of our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(1) The entire issued share capital of XL Holding is wholly-owned by Blissful Plus, a company incorporated in the BVI, which in turn is wholly-owned by Antopex Limited. Antopex Limited is a company incorporated in the BVI and wholly-owned by CMB Wing Lung (Trustee) Limited as trustee of the Chen's Family Trust. The Chen's Family Trust is a discretionary trust established by Mr. Chen Xiaoliang (as settlor) on August 15, 2018 and its beneficiaries are Mr. Chen Xiaoliang and his family members.

(2) The other non-public Shareholders and their respective percentage shareholdings are as follows:

Shareholders	Owner of Shareholder	% of shareholding
Hengfei Holding Limited*	Xu Hengfei ⁽³⁾	2.50%
Fanghua Holding Limited*	Fang Hua ⁽⁴⁾	1.23%

(3) Xu Hengfei is our chief technology officer and an executive Director.

(4) Fang Hua is our chief product officer and an executive Director.

(5) The other existing Shareholders and their respective percentage shareholdings are as follows:

Shareholders	Owner of Shareholder	% of shareholding
Shanhong Holding Limited*	Li Shanhong	0.61%
Xinran Group Holding Limited*	Liu Yang ⁽⁶⁾	6.58%
Jingmao International Limited*	Li Lingling, Liu Yang, Zhu Xiaoli, Han Feixiang, Yao Yin, Liu Hongyan and Cao Ying #	4.19%
Lilingling Holding Limited*	Li Lingling #	2.43%
Lingxi Holding Limited*	Zhao Tao #	2.43%
Liyuhong Holding Limited*	Li Yuhong #	1.62%
Baoxinglong Holding Limited*	Bao Xinglong #	0.81%
Xulu Holding Limited*	Xu Lu #	0.40%
Qizhao Holding Limited*	Xian Qizhao #	0.20%
Weili Holding Limited*	Jiang Weili #	1.05%

(6) Liu Yang is a past director of HZ Duiba from June 11, 2015 to April 7, 2018.

(7) The principal business of HZ Duiba is operating our user management SaaS platform business.

(8) The principal business of these subsidiaries is operating our interactive advertising business.

(9) HZ Wanhai has no actual business.

(10) The principal business of HZ Youfen is operating our Youfen business. See "Business" in this prospectus for details of our Youfen business. HZ Youfen is also the holding company of a number of our subsidiaries in the PRC whose purpose is to hold accounts with various online platforms.

(11) HZ Tuia was also engaged in the business of selling online tokens to play claw crane challenge in our mobile app before we discontinued such business during the Track Record Period.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

LOCK-UP UNDERTAKINGS BY OUR SHAREHOLDERS

In addition to the undertakings by our Controlling Shareholders as described in the section headed “Underwriting — Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules — (B) Undertakings by our Controlling Shareholders” in this prospectus, each of our Shareholders immediately prior to completion of the Global Offering (other than our Controlling Shareholders and the ESAS Trustee) (the “**Covenantors**”) has entered into a deed of lock-up undertakings (the “**Lock-up Deeds**”) in favor of our Company. The Covenantors will in aggregate hold approximately 47.29% of the total issued share capital of our Company immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised). Pursuant to the Lock-up Deeds, each of the Covenantors undertakes that, without the prior written consent of our Company, it will not, and will procure that any nominee holding Shares or securities on its behalf, at any time during the period commencing on the date of the Lock-Up Deed and ending on, and including, the date that is six months after the Listing Date (the “**Lock-up 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 any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (an “**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over any Shares or other securities of the Company or any interest therein, or deposit any Shares or other securities of the Company with a depository in connection with the issue of depository receipts;
- (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 the Company or any interest therein;
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above.

Notwithstanding anything in the Lock-up Deed, a Covenantor may use such Shares it holds as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, provided that it shall immediately inform our Company of such pledge and/or charge together with the number of Shares so pledged and/or charged.

PRE-IPO INVESTMENTS

PRE-IPO INVESTMENTS

Investments into our Group

Set forth below is a summary of the details of the investments by our Pre-IPO Investors who have contributed to the equity capital of our Group and each of whom (either itself or through a related entity) remained as a Shareholder as of the Latest Practicable Date:

	Series Seed Investment	Series C Investment
<i>Pre-IPO Investors</i>	Dingju Maohua	Orchid Asia and TPG
<i>Investment</i>	Equity interest in HZ Duiba	Series C Preferred Shares
<i>Date on which investment was fully settled</i>	October 22, 2014	June 1, 2018
<i>Gross proceeds raised</i>	RMB2,250,000	US\$110,000,000 based on US\$5.56 per Series C-1 Preferred Share and US\$6.00 per Series C-2 Preferred Share
<i>Consideration paid to</i>	HZ Duiba	Our Company
<i>Cost per Share paid by the Pre-IPO Investors</i>	RMB0.01 per Share (approximately HK\$0.01) ⁽¹⁾	Shares converted from Series C-1 Preferred Share: US\$0.56 (approximately HK\$4.36) Shares converted from Series C-2 Preferred Share: US\$0.60 (approximately HK\$4.71) ⁽⁴⁾
<i>Discount to the Offer Price</i> ⁽²⁾	99.78%	Series C-1 Preferred Share: 38.1% Series C-2 Preferred Share: 33.2%
<i>Basis of consideration</i> ⁽³⁾	Post-money valuation of HZ Duiba in the amount of RMB15 million	Post-money valuation of the Company in the amount of (i) US\$500 million for Series C-1 Preferred Share, and (ii) US\$600 million for Series C-2 Preferred Share

PRE-IPO INVESTMENTS

	Series Seed Investment	Series C Investment
<i>Use of proceeds</i>	Fully utilized for business development	US\$50 million was applied to repurchase shares from Mr. Chen Xiaoliang and Li Lingling and the remaining US\$60 million is for our ongoing business development
<i>Lock-up</i>	Six months from the Listing Date	Six months from the Listing Date
<i>Strategic benefits the investors brought to our Group</i>	The investor provided funding to us during our early stage of development	We expect to benefit from Orchid Asia’s and TPG’s extensive experience in investments in growth companies and leverage on that to achieve our full potential. Further, we believe our business development will be generally benefited by broadening our shareholders’ base to include professional investors such as Orchid Asia and TPG
<i>Shareholding in our Company following completion of the Global Offering⁽⁴⁾</i>	Nil ⁽⁵⁾	Rising Union Limited: 11.97% TPG: 5.13%

Notes:

- (1) The “Cost per Share paid by the Pre-IPO Investors” for the Series Seed Investment is calculated by dividing (i) the post-money valuation of HZ Duiba in the Series Seed Investment as stated in “Basis of consideration” in the table above by (ii) by the total number of Shares in issue immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised).
- (2) The “Discount to the Offer Price” refers to the discount of the “Cost per Share paid by the Pre-IPO Investors” compared to the Offer Price of HK\$7.05, being the mid-point of the indicative offer price range set out in this prospectus.
- (3) The consideration for each of the above rounds of the pre-IPO investments was determined after arm’s length negotiations between Mr. Chen Xiaoliang, our Group and the respective investors, after taking into account the development stage at which the business of our Group was at the relevant time.
- (4) This assumes completion of the Global Offering and Share Subdivision (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

PRE-IPO INVESTMENTS

- (5) Following the Series Seed Investment by Dingju Maohua in HZ Duiba, Dingju Maohua undertook several rounds of transfer of its interest in HZ Duiba, and eventually transferred its interest in HZ Duiba to Liu Yang and Dingju Jingmao, and following which Dingju Maohua ceased to hold any interest in our Group. As part of the Reorganization, Duiba HK acquired the equity interest in HZ Duiba held by Liu Yang and Dingju Jingmao, and in turn Xinran Group Holding Limited (a company wholly owned by Liu Yang) and Jingmao International Limited (a company owned by the partners of Dingju Jingmao or their ultimate owners) were allotted and issued Series Angel Preferred Shares. See “—Acquisitions from Other Shareholders” below for further information on Liu Yang and Dingju Jingmao’s interest in our Group.

We believe the Pre-IPO Investors made such investments in our Group based on their expectations of our growth potential and prospects. Our Directors are of the view that Series Seed Investment and Series C Investment have the benefits of broadening our shareholders’ base and further improving our corporate governance and internal control.

Acquisitions from Other Shareholders

The table below sets forth a summary of certain details of other pre-IPO investments by our Shareholders, who acquired their interest in our Group from parties other than from our Group. These transfers were private transactions between the shareholders, and the Company was not a party to these transactions. We did not receive any proceeds from these investors’ investments into our Group. We did not participate in the negotiations related to these transfers. The Company believes that the consideration basis of such transfers was determined based on arms’ length negotiation among the relevant parties taking into account various factors such as the business prospects, results of operations and financial conditions of HZ Duiba, the background and financial capability of the relevant parties and payment terms of the relevant investments. These factors differ from case to case and therefore, the relevant consideration basis for such transfers was not necessarily the same for each transfer even though some of the transfers were completed on the same date. For instance, in relation to the acquisition by the shareholder of Weili Holding Limited, the parties to the transaction agreed to use the valuation of HZ Duiba as of March 31, 2018 as the basis of consideration and the transaction also took into account the strategic benefits brought along by the introduction of Jiang Weili as a foreign investor in HZ Duiba, which resulted in the conversion of HZ Duiba into a sino-foreign joint venture company.

(A) Pre-IPO Investors ⁽¹⁾	(B) Cost per Share paid by the investor ⁽²⁾ (RMB)	(C) Date of completion ⁽³⁾	(D) Discount to the Offer Price ⁽⁴⁾ (%)	(E) Total consideration ⁽⁵⁾ (RMB)	(F) Valuation of HZ Duiba which formed the basis of consideration (RMB million)	(G) Number of Shares held following completion of the Global Offering	(H) Shareholding in our Company following completion of the Global Offering ⁽⁶⁾ (%)
Lilingling Holding Limited . .	1.11	April 7, 2018	81.61%	30,000,000	1,000	27,000,000	2.43%
Lingxi Holding Limited	1.11	March 15, 2018	81.61%	30,000,000	1,000	27,000,000	2.43%
Liyuhong Holding Limited . .	0.91	March 15, 2018	84.92%	16,400,000	820	18,000,000	1.62%
Baoxinglong Holding Limited	1.11	March 15, 2018	81.61%	5,000,000	1,000	4,500,000	0.40%
	0.46	November 2, 2017	92.46%	2,050,000	410	4,500,000	0.40%
Xulu Holding Limited	0.46	November 2, 2017	92.46%	2,050,000	410	4,500,000	0.40%

PRE-IPO INVESTMENTS

(A) Pre-IPO Investors ⁽¹⁾	(B) Cost per Share paid by the investor ⁽²⁾ (RMB)	(C) Date of completion ⁽³⁾	(D) Discount to the Offer Price ⁽⁴⁾ (%)	(E) Total consideration ⁽⁵⁾ (RMB)	(F) Valuation of HZ Duiba which formed the basis of consideration (RMB million)	(G) Number of Shares held following completion of the Global Offering	(H) Shareholding in our Company following completion of the Global Offering ⁽⁶⁾ (%)
Qizhao Holding Limited . . .	0.46	November 2, 2017	92.46%	1,025,000	410	2,250,000	0.20%
Weili Holding Limited.	0.91	May 28, 2018	85.00%	10,660,000	820	11,700,000	1.05%
Xinran Group Holding Limited	1.11	April 7, 2018	81.61%	32,203,000	1,000	28,982,717	2.61%
	0.52	February 11, 2018	91.43%	22,809,400	410	44,072,983	3.97%
Jingmao International Limited.	0.46	February 11, 2018	92.46%	21,200,000	410	46,536,300	4.19%

Notes:

- (1) These investments were made by the relevant investors' shareholder or his related entity in HZ Duiba.
- (2) "Cost per Share paid by the investor" in column (B) is calculated by dividing "total consideration" in column (E) by such number of Shares to be held by the relevant investor immediately after the completion of the Global Offering set out in column (G).
- (3) The "date of completion" in column (C) is either the date of the relevant equity transfer agreement, or the registration completion date at the PRC national corporate credit information website in respect of the equity transfer, or the date of renewed business license regarding the relevant equity transfer.
- (4) The "Discount to the Offer Price" in column (D) refers to the discount of the "Cost per Share paid by the investors" in column (B) after translating it into HK\$ using the exchange rate HK\$1 to RMB0.8569, compared to the Offer Price of HK\$7.05, being the mid-point of the indicative offer price range set out in this prospectus.
- (5) The "total consideration" in column (E) represents the purchase price paid by the investor in its latest round of investment in HZ Duiba the completion date of which is set out in column (C). Certain of these investors may have previously acquired and sold interest in HZ Duiba.
- (6) This assumes completion of the Global Offering and the Share Subdivision (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

PRE-IPO INVESTMENTS

SPECIAL RIGHTS OF THE PRE-IPO INVESTORS

Special Rights

Pursuant to the shareholders agreement entered into among our Company, holders of Preferred Shares and other Shareholders dated May 31, 2018, holders of Preferred Shares were granted certain special rights in relation to our Company. Such special rights are summarized in the table below.

<i>Information and inspection right</i>	The holders of Preferred Shares have the right to receive certain information of our Group including financial statements, bank statements, budget and business plans, and the right to access, examine and copy our books or accounts.
<i>Registration right</i>	In the event of an initial public offering of our Company in the United States, the holders of Preferred Shares are entitled to registration rights including demand registration rights, piggyback registration rights and Form S-3 or Form F-3 registration rights. The holders of Preferred Shares are entitled to analogous or equivalent rights with respect to any other offering or listing of shares in any other jurisdiction on a recognized securities exchange.
<i>Participation right</i>	The holders of Preferred Shares have a right of first refusal to purchase their respective pro rata share of any new issue of securities by our Company except for certain issuances including securities issued upon an initial public offering.
<i>Reserve matters</i>	Certain corporate actions of our Group would require the approval of holders of at least a majority of the Series C Preferred Shares or directors nominated by the Series C Investors (as the case may be). Such actions include public sale of securities or initial public offering of the Company, issue of new securities, merger, acquisition, change of board composition, change in business, amendment to our Group's business plan, change of senior management members, license or transfer of our intellectual property rights.
<i>Board representation</i>	The Board shall consist of seven directors. Each Series C Investor is entitled to appoint one Director, and holders of Series Angel Preferred Shares collectively are entitled to appoint a further Director.

In addition, we have entered into a management rights letter with each of the Series C Investors pursuant to which the Series C Investors have a right to consult with and advise management, examine the books and records of our Company and attend all board meetings in a non-voting observer capacity.

PRE-IPO INVESTMENTS

All of the above special rights granted to the holders of Preferred Shares will be terminated and cease to have any further effect upon the Listing.

Redemption Right

In addition to the above, each holder of Preferred Shares has the right to require our Company to redeem its Preferred Shares upon the occurrence of certain events including, among others, (i) the failure of us to complete a qualified initial public offering by May 31, 2021, (ii) Mr. Chen Xiaoliang and XL Holding oppose the application for a qualified initial public offering, (iii) the transfer of any shares in our Company by Mr. Chen Xiaoliang in breach of the provisions of the shareholders agreement, (iv) any significant change on the principal business of our Group, (v) the entering into of any transactions between any member of our Group and any of the relevant officers, directors or employees or any related entity, which has an adverse effect on the holder of Preferred Shares, (vi) a breach of any representations, warranties, covenants or undertakings given by us under any of the relevant transaction documents in relation to the subscription of Preferred Shares, which would have a material adverse effect on our Group, and (vii) a breach by us of applicable laws or regulations, which would have a material adverse effect on the qualified initial public offering of our Company.

The rights held by the holders of Preferred Shares to request our Company to redeem their Preferred Shares have been suspended immediately prior to the first filing of our application to the Listing of our Shares on the Hong Kong Stock Exchange. The redemption right will restore automatically upon the earlier of (i) the withdrawal of the Listing application, (ii) the Listing application is rejected by the applicable stock exchange or applicable competent authorities, or (iii) the Listing process is terminated or lapsed for any reason.

Following Listing, none of the Pre-IPO Investors will enjoy any special shareholders rights other than those granted under the Articles and applicable to all Shareholders.

BACKGROUND OF THE PRE-IPO INVESTORS

Series Seed Investor

Dingju Maohua is a limited partnership established in the PRC and whose principal business is investments in private companies. The general partner of Dingju Maohua is Dingju GP, which in turn is ultimately owned by Liu Yang and Li Lingling. Liu Yang was a director of HZ Duiba from June 11, 2015 to April 7, 2018 and Li Lingling is the mother of Liu Yang. Liu Yang and Li Lingling are the sole shareholders of Xinran Group Holding Limited and Lilingling Holding Limited, respectively, each of which is a Shareholder. Further, each of Liu Yang and Li Lingling has a minor interest in Jingmao International Limited, which is a Shareholder. Certain limited partners of Dingju Maohua are also managed by Dingju GP. Save for Liu Yang's and Li Lingling's interests in Dingju Maohua disclosed above, Dingju Maohua would have been an independent third party.

PRE-IPO INVESTMENTS

Series C Investors

Rising Union Limited is a limited liability company incorporated in the BVI. It is owned as to (i) 93% by Orchid Asia VII, L.P. (“OA7”) and (ii) 7% by Orchid Asia VII Co-Investment, Limited (“OA-Co”). OA7 is principally engaged in equity investments in private companies and OA-Co is an entity incorporated to invest alongside with OA7.

TPG Growth IV SF Pte. Ltd. is a limited liability company incorporated in the Republic of Singapore. TPG Growth IV SF Pte. Ltd. is an affiliate of TPG Growth, the middle market and growth equity investment platform of TPG, a leading global alternative assets investment firm founded in 1992 with approximately US\$72 billion of assets under management. TPG Growth was founded in 2007 to specialize in growth equity and middle-market buyout opportunities. Taking a long-term and hands-on approach to partnership, TPG Growth identifies unique companies across the U.S., Europe, Africa, and Asia and helps them achieve their full potential.

Other Pre-IPO Investors

For background information on the other Pre-IPO Investors, see “History, Reorganization and Corporate Structure—Corporate Structure”.

PUBLIC FLOAT

The Shares to be held by the Pre-IPO Investors, other than Rising Union Limited which is expected to hold more than 10% of the issued share capital of our Company, immediately following completion of the Global Offering will be considered upon Listing as part of the public float for the purpose of Rule 8.08 of the Listing Rules.

CONFIRMATION OF THE JOINT SPONSORS

The Joint Sponsors have confirmed that the pre-IPO investments disclosed in this section complied with the Hong Kong Stock Exchange’s interim guidance on pre-IPO investments (HKEX-GL-29-12) issued on October 13, 2010 and guidance letter HKEX-GL-43-12 issued on October 13, 2012 and updated in July 2013 and March 2017.

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OUR MISSION

Our mission is to become the preferred business partner of enterprises in their operations by providing them with full-cycle services in user acquisition, retention and monetization.

OVERVIEW

We are a user management SaaS provider for online businesses and the leading interactive advertising platform operator in China. According to iResearch, we ranked first in (i) China's user management SaaS market in terms of the number of registered mobile apps as of December 31, 2018 each with DAUs above one million; and (ii) China's mobile interactive advertising market in terms of revenue in 2018, with a market share of over 50%.

Launched in 2015, our interactive advertising business capitalizes on the knowledge of mobile app user behavior across a range of scenarios which we had accumulated through our user management SaaS platform business. During the Track Record Period, our interactive advertising business experienced rapid growth in terms of revenue generated. In 2016, 2017 and 2018, the revenue generated from our interactive advertising business was RMB46.7 million, RMB607.3 million and RMB1,110.1 million, accounting for 91.3%, 94.0%, and 97.6%, respectively, of our total revenue. In the mobile internet era, user acquisition and retention have become core business performance indicators for mobile apps. Building on our experience in helping mobile apps to acquire and retain users, we have recently expanded to serve offline businesses (i.e., enterprises that primarily operate their businesses offline through physical outlets) with strong potential demand for our user management solutions. According to iResearch, our Group accounted for 0.3% of China's overall mobile advertising market in terms of revenue in 2018.

Launched in 2014, our user management SaaS platform is designed to help businesses attract and retain online users. Our SaaS platform offers various fun and engaging user management tools, including reward points operation tools, marketing campaign tools and check-in tools to boost mobile app user activity and the time spent on apps. Having initially launched our user management SaaS platform on a free-of-charge model in order to expand our customer base with revenue only derived from our procurement services, we began charging for our user management SaaS services on a pilot basis in April 2018.

As of December 31, 2018, more than 14,000 mobile apps (including (i) 58 with DAUs over 9 million; (ii) 89 with DAUs over 1 million and up to 9 million; and (iii) 246 with DAUs over 50,000 and up to 1 million in December 2018) had registered with our user management SaaS platform, reaching more than 1.3 billion mobile app users. According to iResearch, as of December 31, 2018 our user management SaaS platform was used by 53.0% of the top 100 mobile apps in terms of DAUs in December 2018 in China. We have recently extended our user management SaaS to serve offline businesses, serving 101 such businesses as of December 31, 2018.

In an effort to provide full-cycle services by satisfying businesses' demand for user acquisition and monetization, we pioneered and launched our interactive advertising business in 2015 to capitalize on the knowledge of mobile app user behavior across a range of scenarios which we had accumulated

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through our user management SaaS services. Our interactive advertising tools engage users through fun and interesting interactive activities, thereby directing them to the mobile internet page which our advertisers designate. Our interactive advertising business has allowed us to develop a new customer base from that of our user management SaaS business. Our interactive advertising business connects advertisers with our media partners, including online publishers and media agents. For advertisers, our solutions enable them to maximize the rate of return of their advertising spending. For media partners, our solutions enable them to benefit from the high conversion rate of our interactive advertising and effectively monetize their mobile user traffic.

Specifically, to achieve those ends, our interactive advertising solutions adopted a number of systems and technology such as (i) a bidding system which enhances the precise matching of advertising demand and mobile apps user traffic (see “—Our Businesses—Interactive Advertising Business—Pricing Models and Real-Time Bidding” for details); (ii) machine learning algorithms which help to achieve optimized placement of marketing materials; (iii) a wide variety of advertising tools which help online publishers to format and incorporate the advertising in a manner which matches the content and scenarios of their apps or their own marketing campaigns; (iv) analytics tools which help to analyze the historical performance of advertising and predict future results; and (v) AI technologies to predict the click-through rates for a specific user and display an advertisement which will generate the highest amount of expected income.

We generally charge our interactive advertising customers based on the performance of advertisements. The majority of our revenue from our interactive advertising business during the Track Record Period was generated from the CPC model under which we charged customers only if viewers interacted with our advertising tools and are directed to the mobile internet page designated by the advertisers. Our fees are therefore aligned with advertisers’ desire to increase mobile user traffic.

We place advertisements on content distribution channels through our media partners consisting of online publishers (i.e., owners of content distribution channels such as mobile apps) and media agents (i.e., media partners which do not own any content distribution channels) which engage with us on behalf of online publishers. The content distribution channels on which we place advertising primarily consist of mobile apps of different categories, such as social media, travel, news, practical tools, and music.

We share with our media partners a certain percentage of the revenue we generate from the placement of advertisements. Revenue shared with media partners is our most significant cost of sales item. Our revenue shared with media partners increased at a much faster pace than the revenue from our interactive advertising business, resulting in the downward pressure on our interactive advertising business’ gross profit margin which was 81.7%, 36.4%, and 36.5%, in 2016, 2017 and 2018, respectively. During the Track Record Period, the amount of revenue we shared with media partners increased at a much faster pace than the revenue from our interactive advertising business primarily due to the increasing use of top and medium apps sourced from media partners to support our fast-growing interactive advertising business and to further enhance our advertising performance. These media partners generally demanded a higher percentage of revenue to be shared. Going forward, we plan to increase the depth and breadth of our relationships with top and medium media partners

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to grow our advertising business, such as by providing more customized services. As we strengthen our relationships with top and medium partners, we expect that the proportion of user traffic sourced from such media partners will increase, and as a result, the proportion of our revenue shared with media partners is expected to slightly increase.

Most of our major suppliers during the Track Record Period were our media partners. There were changes in the composition of our major media partners during the Track Record Period primarily because in order to continue to source sufficient and higher-quality user traffic, we need to adjust our media partners that we cooperate with from time to time. See “—Customers and Suppliers—Major Suppliers” for the background information of our major media partners.

As of December 31, 2018, we had placed interactive advertisements on 4,065 content distribution channels, mainly comprising mobile apps, and in 2018, our interactive advertising business served 2,938 ultimate advertisers (either through advertising agent customers or as our direct customers) and contributed 284.7 million MAUs, 20.5 million DAUs, and 14,523.8 million advertising page views.

Our technological capabilities enable us to provide automated services to our customers online, allowing us to increase the scale our business rapidly. We utilize data analytics and AI technology to operate our business. Data analytics tools are applied in performance analysis and effective monitoring of irregular activities, utilizing our wealth of multi-dimensional user data. Machine learning algorithms are used to achieve optimized placement of marketing materials in both our user management SaaS platform and our interactive advertising solutions.

We seek to increase the depth and breadth of our engagement with mobile users with our self-operated apps and other products such as Tiantian Quwen (天天趣聞), a content aggregator mobile app we launched in March 2018 to further monetize our own user traffic.

Our revenue increased significantly from RMB51.1 million in 2016 to RMB645.8 million in 2017 and to RMB1,137.0 million in 2018.

OUR STRENGTHS

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

Pioneer and leader in user management SaaS and interactive advertising in China

We are a pioneer and leader in the user management SaaS and mobile interactive advertising markets in China. We commenced our user management SaaS platform business in 2014 by providing mobile app reward points operation services in China. Mobile apps using our user management SaaS platform share with us multi-dimensional data such as user behavior, IP addresses, and device information, allowing us to analyze users' behavioral preferences, social attributes and areas of interest. Leveraging our accumulated knowledge of mobile app user behavior and operation scenarios distilled from such data, we pioneered interactive advertising as an advertising format in 2015 to

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enable advertisers to place reward-based interactive advertising content that better integrates with mobile apps' interfaces, reduces disruption to user experience, and increases the rate of return of advertisers' spending. According to iResearch, we ranked first in (i) China's user management SaaS market in terms of the number of registered mobile apps as of December 31, 2018 each with DAUs above one million; and (ii) China's mobile interactive advertising market in terms of revenue in 2018, with a market share of over 50%.

We have established a large network of business partners including mobile apps, media partners, and offline businesses. We provide full-cycle online business operation services to them including user acquisition, management, retention and monetization. Our established relationship with business partners has allowed us to expand our business rapidly by cross selling our comprehensive solutions, thus providing us with huge monetization opportunities. As of December 31, 2018, more than 14,000 mobile apps (including (i) 58 with DAUs over 9 million; (ii) 89 with DAUs over 1 million and up to 9 million; and (iii) 246 with DAUs over 50,000 and up to 1 million in December 2018) had registered with our user management SaaS platform, and our interactive advertising business had placed advertisements on 4,065 content distribution channels. We have recently extended our user management SaaS to serve offline businesses, serving 101 such businesses as of December 31, 2018. Our large business partner base also enables us to access a massive pool of app user data, which further enhances the effectiveness of our solutions and monetization capability.

We believe our early mover and scale advantages have established high entry barriers and enable us to further benefit from the tremendous growth prospects of the user management SaaS and mobile interactive advertising markets in China.

Superior innovation capability driving our rapid growth

We have been innovating our business constantly since we pioneered the user management SaaS platform and the interactive advertising platform. For example, we have created marketing campaign tools and check-in tools since we first developed reward points management tools. We have also been enhancing our platforms for easier connection by mobile app developers, as well as upgrading our algorithms to generate advertising formats and place marketing campaigns more effectively, thereby increasing advertising page views and chargeable clicks. Besides, we have been continuously innovating our products and adding new elements to the suite of tools in our platforms. For example, our newly-developed interactive and reward points check-in tools incentivize users to increase their interaction with mobile apps. As of December 31, 2018, we had designed a total of 2,076 campaign tool projects in our user management SaaS platform and a total of 9,715 advertising campaigns, most of which were the first-of-their-kind on the market according to iResearch.

Driven by our strong innovation capability, we have recorded rapid growth during the Track Record Period. Specifically, we have been able to consistently provide in a cost-effective manner innovative tools which satisfy our business partners' needs by reference to market trends. We believe this has helped us attract new customers and retain existing customers and capture the tremendous growth in the user management SaaS and interactive advertising markets in China. The number of mobile apps registered to connect to our user management SaaS platform increased from 4,648 as of December 31, 2016 to more than 14,000 as of December 31, 2018. In the meantime, the advertising

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page views and chargeable clicks contributed by our interactive advertising business increased from 95.2 million and 30.8 million in 2016 to 6,765.2 million and 1,850.9 million in 2017 and to 14,523.8 million and 3,819.9 million in 2018, respectively. We believe our ability to innovate consistently will help us to achieve significant and sustainable growth in the future.

Extensive user reach through our diversified channels

We have an extensive reach to app users through diversified channels. We have gained access to massive numbers of app users initially through our provision to mobile apps of user management SaaS and interactive advertising solutions in an efficient and cost-effective manner. In 2018, the MAUs contributed by our user management SaaS platform and interactive advertising business were approximately 97.9 million and 284.7 million, respectively. As we have expanded to serve offline businesses, we can access a broader range of users whom we incentivize to move online. Through the self-operated apps and other products we recently launched, we have started to build our own fast-growing and engaged app user base, which further complements our business operating cycle of user acquisition, retention and monetization. Launched in March 2018, our self-operated content aggregator app Tiantian Quwen (天天趣聞) achieved DAUs exceeding 700,000 in December 2018.

We have an extensive reach to app users in non-first tier cities in China. In 2018, more than 90% of the aggregate MAUs contributed by our interactive advertising business were from users in non-first tier cities in China, who according to iResearch tend to spend a longer time on the mobile internet and have higher monetization potential.

The voluminous multi-dimensional data accumulated from our different lines of businesses, including data on how users interact with our user management tools and interactive advertising, have continuously helped us enhance our knowledge of user behavior, optimize our solutions, and improve user engagement and advertising effectiveness.

Proven track record in user management and advertising effectiveness

We have a proven track record in providing effective user management and advertising services to our customers. Our user management SaaS platform helps mobile apps improve user engagement, reduce user churn, increase user traffic, and reduce user acquisition cost. For example:

- In June 2018, the overall user participation rate in our reward points operation tools increased by 14 percentage points compared to July 2017. In particular, the level of user participation (i) increased from 7% to 21% for reading apps; (ii) increased from 13% to 29% for financial apps; and (iii) increased from 4% to 18% for lifestyle apps.
- In June 2018, the overall user retention rate of our reward points operation tools increased by 11 percentage points compared to July 2017, including (i) an increase from 35% to 46% for reading apps; (ii) an increase from 22% to 25% for financial apps; and (iii) an increase from 9% to 20% for lifestyle apps.

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In terms of our interactive advertising business, we have increased advertising effectiveness for advertisers through our interactive operation model and precise marketing:

- In May 2017, we launched the oCPC optimized bidding system which can automatically identify suitable content distribution channels for specific advertising content. By June 2018 this system had already been utilized for more than 40% of our advertising page views. The oCPC optimized bidding system has brought substantial improvement in the rate of return of advertising spending for advertisers.
- In March 2018, we launched a crowd orientation advertising feature, which, based on the data of the historical behavior and attributes of users gathered by us, predicts users' behavior in engaging with advertising and thereby optimizes our advertising. This feature has helped to further increase conversion rates for advertisers. Since this feature was implemented in March 2018 and up until May 2018, the click-through rates (CTR) for 80% of the advertisements that we placed improved.

We believe our proven track record in user management and advertising effectiveness can further solidify the relationships with our business partners and strengthen our leadership.

Advanced big data analytics and AI capabilities

We are a technology-driven company. We have made substantial investments in building a dedicated and experienced research and development team. We have also built a proprietary technology platform that supports our business operations, data analytics and innovation.

We believe we have the following key technology strengths:

- *Strong big data analytics capabilities:* Our big data analytics is based on high-performance, cost-effective cloud computing solutions and features dedicated computing clusters that can process a large amount of data instantly. For example, our strong big data analytics capabilities enable us to identify and cope with illegitimate clicks promptly, which is crucial in retaining and strengthening our business cooperation with our advertisement customers.
- *Advanced AI capabilities:* We have an advanced AI platform. We have been constantly improving our machine learning algorithms, which make our AI platform stronger and smarter with more frequent self-learning. A smarter AI platform in turn helps us to achieve more precise targeting for our advertisement placement with less human intervention, which enhances the overall effectiveness of our advertisement solutions.
- *Real time, scalable and reliable infrastructure:* Our cloud-based technology architecture allows us to analyze multi-dimensional data through various machine learning algorithms in real time. In addition, with modular architecture built to be horizontally scalable, our platform can be easily expanded as data storage requirements and user base increase.

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A visionary, insightful, and creative management team

We have a visionary management team which has been a pioneer in China's mobile app user management industry. The team is highly responsive to identify and seize emerging opportunities in the market. Mr. Chen Xiaoliang, our founder and chairman, identified user needs from the perspective of a younger generation of users, and has a profound understanding of user management. Mr. Chen Xiaoliang founded our Group, which, under his leadership, has become a leader in the user management SaaS market for online businesses. In 2018, he was also named in “Forbes 30 under 30 China List—Marketing and Advertising” published by Forbes and named as “Pioneer of the Year of 2017” (2017年度創業人物) granted by the Hangzhou Science Commission.

We have a young, dynamic, and creative management team. Our corporate culture and organizational structure promote innovation and creativity. We also established a highly incentivized employee reward system. Our ESOP plan currently covers a broad range of our employees, including key management team members as well as talent across different functions.

OUR STRATEGIES

We plan to implement the following strategies:

Strengthen our position in the user management SaaS market

Further innovate our services: We will continue to develop new operational tools and to launch diversified events to further boost mobile app user activity and the time users spend on our customers' apps. We also aim to continue to enhance the operational results of customers of our user management SaaS platform. For example, we incentivize existing users to bring in new users through their recommendations in social networks.

Expand our user management SaaS services to offline businesses: As we rapidly expand to serve offline businesses in different industries, we will continue to help them optimize their user management systems to increase user engagement and retention. For example, for a hot pot cuisine enterprise, we designed customized tools to interact with users as they are waiting to be seated, tools which reward users who shared marketing campaigns on social media, push notification tools designed to engage inactive users, and special marketing campaigns which encourage user spending.

Enhance the monetization of our user management SaaS platform business: We plan to expand the customer base for our fee-based user management SaaS services, and will increase our fee levels by offering a wider range of customized services.

Reinforce our advertising platform and capture new opportunities in the mobile advertising market

Strengthen our relationships with media partners: In particular, we plan to increase the depth and breadth of our relationships with top and medium media partners to grow our advertising business more rapidly.

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Continue to innovate our advertising business: We will continue to customize and develop formats of our marketing campaigns in order to increase the conversion rate of our advertising. For example, we will continue to produce customized marketing campaigns to attract high-quality user traffic, through cooperating with producers of popular online dramas and online games, to create advertisements closely related to their offerings.

Deepening our expertise across industry verticals: We plan to expand dedicated teams to serve and provide customized solutions to advertising customers in different industries addressing industry-specific needs.

Expand into localized advertising business: We have started to build our localized advertising teams, and we plan to recruit more sales and operations staff members to better capture the tremendous growth opportunity in the localized advertising market in China.

Seek opportunities to expand into overseas markets: We aim to cooperate with Chinese online publishers and advertisers with overseas operations to expand our overseas customer base as we seek to establish our presence outside of China.

Further enhance our technology capabilities

We plan to expand our research and development team, further upgrade our proprietary technology platforms and build up other research and development facilities and infrastructure.

We will continue to develop our big data analytics technology platform with stronger data processing capabilities. We plan to deepen our cooperation with our business partners to diversify the user data we access. We will also make our AI platform stronger and smarter to further optimize precise targeting and minimize human intervention.

Continue to incubate new products generating user traffic

We will continue to incubate new products generating user traffic based on market and user demand and leverage our know-how in our user management SaaS and interactive advertising. For example, we plan to incubate more mobile apps targeting users in non-first tier cities replicating our success in launching Tiantian Quwen (天天趣聞).

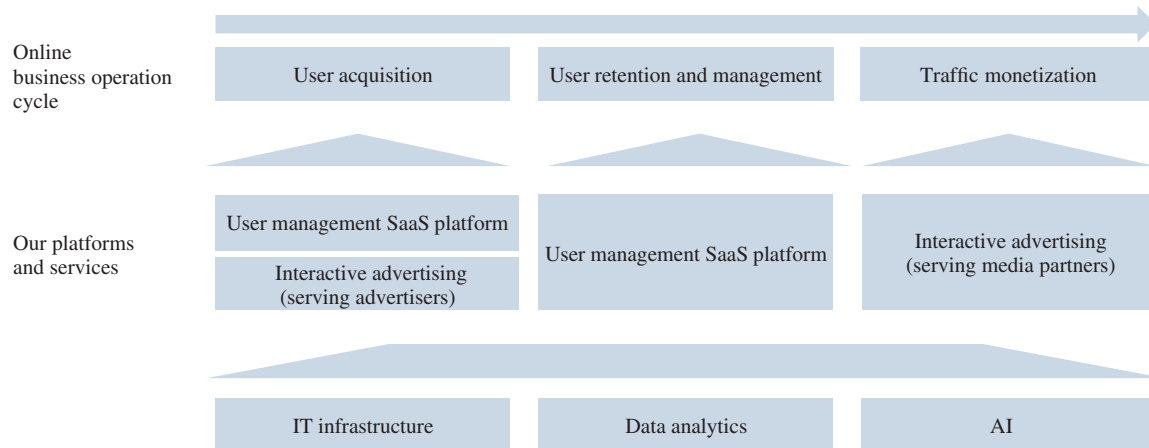
Pursue strategic investments and acquisition opportunities

We intend to strategically invest in or acquire businesses that are complementary to our current businesses or can enhance our core competitive strengths to reinforce our market leadership. We also intend to acquire potential targets in the overseas markets when opportunities arise.

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OUR BUSINESS MODEL

We offer a wide range of services and solutions to address businesses' demand in the full cycle of online business operation, consisting of user acquisition, retention, and monetization. The following diagram illustrates our business model:

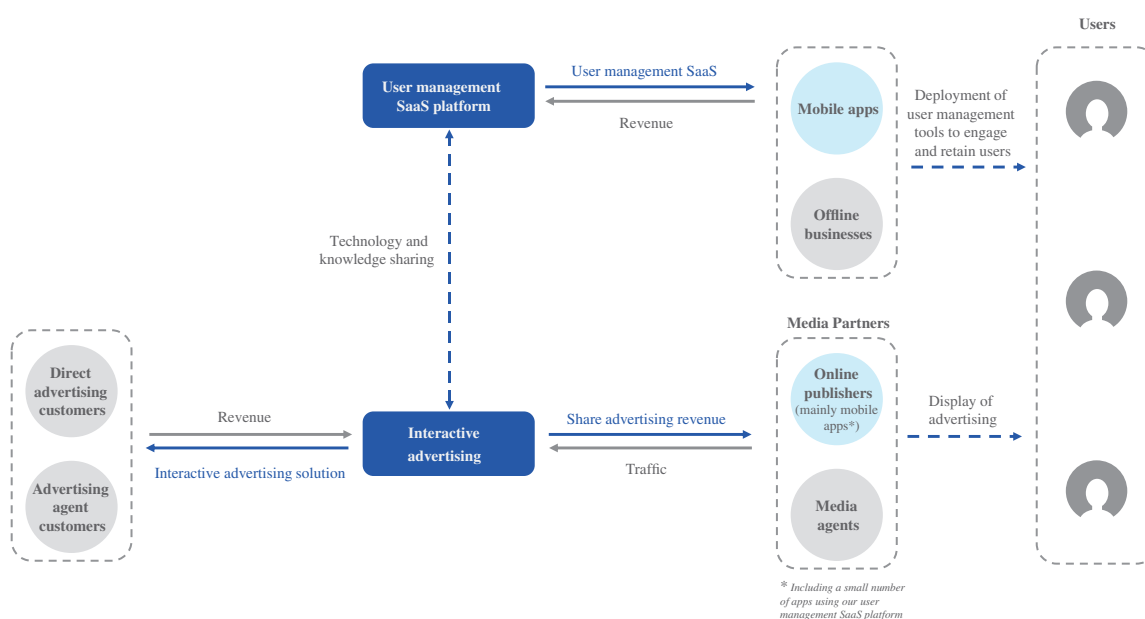


Our user management SaaS platform helps businesses to attract and retain online users through our fun and engaging user management tools, including reward points operation tools, marketing campaign tools, and check-in tools which boost mobile app user activity and the time spent on mobile apps. Through these tools and our customized services such as marketing campaign implementation services, we help both mobile app developers (which are online businesses) and offline businesses manage their relationships with customers online. Having initially launched the user management SaaS platform on a free-of-charge model in order to expand our customer base, with revenue only derived from our procurement services, we began charging for our user management SaaS services on a pilot basis in April 2018.

Our interactive advertising solutions enable advertisers to expand their reach to targeted customers and increase sales through our advertising tools designed to achieve a high conversion rate. Specifically, our advertising tools engage users through fun and interesting interactive activities, thereby directing them to the mobile internet page our advertisers designate. Our media partners can also benefit from the high conversion rate of our interactive advertising and effectively monetize mobile user traffic on their content distribution channels.

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The following diagram illustrates our relationships with business partners of our user management SaaS platform business and our interactive advertising business:



In an effort to capitalize on new models of monetizing mobile user traffic, we seek to continue to increase the depth and breadth of our engagement with mobile users with our apps such as Tiantian Quwen (天天趣聞), a content aggregator mobile app we launched in March 2018.

We utilize big data analytics and AI technology to operate our business. Big data analytics tools are applied in performance analysis and real-time monitoring of irregular activities. Leveraging our wealth of multi-dimensional user data, we apply machine learning algorithms to achieve optimized placement of marketing materials for both our user management SaaS platform and our interactive advertising solutions, and to provide value-added services to our customers.

OUR BUSINESSES

Our businesses primarily consist of our user management SaaS platform business and interactive advertising business. We also operate other businesses, including a number of app-related businesses. During the Track Record Period, we discontinued certain e-commerce business and a self-operated claw crane challenge app.

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The following table sets forth a breakdown of our revenue by nature:

	Year ended December 31,					
	2016		2017		2018	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	<i>(in thousands of RMB, except percentages)</i>					
User management SaaS platform business . . .	4,456	8.7%	6,187	1.0%	13,661	1.2%
Interactive advertising business	46,682	91.3%	607,272	94.0%	1,110,108	97.6%
Others ⁽¹⁾	—	—	32,333	5.0%	13,263	1.2%
Total	51,138	100.0%	645,792	100.0%	1,137,032	100.0%

Note:

- (1) Including a number of app-related businesses, certain e-commerce business which was discontinued in December 2017, and a self-operated claw crane challenge app which we discontinued in September 2018.

User Management SaaS Platform Business

Our user management SaaS platform was launched in July 2014. The platform assists businesses in retaining app users and increasing user traffic. We provide a wide range of user management tools, including reward points operation tools, marketing campaign tools, and check-in tools.

Our user management SaaS platform is highly scalable as mobile app developers can easily and conveniently access our services online without the need for extensive human involvement. Our technology capability enables us to achieve a high degree of automation in our business operation, and has allowed us to expand our customer base quickly. The number of mobile apps registered to connect to our user management SaaS platform increased from 4,648 as of December 31, 2016 to more than 14,000 as of December 31, 2018. According to iResearch, in 2018, our user management SaaS platform was used by 53.0% of the top 100 mobile apps in China in terms of DAUs in December 2018. Such apps covered a wide range of industries, including top apps in a number of categories such as social networks, video platforms, e-commerce platforms, reader apps, and practical tool apps.

During the Track Record Period, our user management SaaS platform primarily served mobile app developers (which are online businesses). Building on our experience in helping mobile apps to acquire and retain users, since April 2018 we have expanded our operations to serve offline businesses with strong potential demand for our solutions. We have dedicated marketing teams to develop our relationships with these customers. See “—Marketing and Business Development” for details.

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Our user management SaaS solutions help mobile apps improve user engagement, reduce churn rate, and increase the number of users. Our solutions also lower mobile apps’ cost of user retention and acquisition by avoiding or reducing their need for an in-house workforce specializing in user management. For statistics on the effectiveness of our user management SaaS platform, see “—Our Strengths—Proven track record in user management and advertising effectiveness” above.

The following table sets forth selected indicators for our user management SaaS platform for the periods indicated:

	As of and for the year ended December 31,		
	2016	2017	2018
Number of registered mobile apps contributing DAUs to our platform ⁽¹⁾ :			
> 0 and ≤ 100	3,200	6,652	6,476
> 100 and ≤ 10,000	464	558	614
> 10,000	46	65	87
DAUs (millions) ⁽¹⁾	2.8	3.9	5.6
MAUs (millions) ⁽¹⁾	32.6	60.5	97.9

Note:

- (1) DAUs and MAUs refer to the average active users using the tools offered on our user management SaaS platform (and not the average active users of the mobile apps using our solutions) for the periods indicated. We believe the number of registered mobile apps contributing DAUs experienced a decrease from 2017 to 2018 primarily because some mobile apps had ceased updates, ceased to be available for download, lost popularity, or ceased to use our solutions.

Our user management SaaS platform business has focused on the number of registered mobile apps contributing a meaningful amount of DAUs, and for example, we saw a consistent increase in the number of registered mobile apps contributing more than 100 DAUs during the Track Record Period.

Features of Our User Management SaaS Platform

Our user management SaaS platform provides our customers, which are mainly mobile app developers, with a wide range of user management services such as reward points operation tools, marketing campaign tools, and check-in tools. These tools are designed to be fun and engaging, with the goal of boosting user activity and the time spent on our customers’ apps.

Reward Points Operation Tools

Our user management SaaS platform features a set of comprehensive tools which allow mobile app developers to build and embed a ready-to-use reward points system into their mobile apps. Mobile app users can accumulate reward points (such as by checking-in to the apps on a regular basis and participating in interactive activities) and redeem their points for gifts. See “—Monetization of our User Management SaaS Platform Business” below for details in relation to the procurement of such gifts.

The following screenshots illustrate our selected reward points operation tools:



Users' access point in an app to its reward points mall

Front page of the reward points mall as part of our user management tools

Reward points activity center

Welcoming gifts for new users

Our reward points operation tools are highly customizable. Mobile app developers may adjust the design of the user interface and the details of their reward points programs. Data generated from the use of our tools are directly transferred to our servers, and mobile app developers can conduct day-to-day operations of their own reward points programs, as well as access user traffic statistics and other useful analyses for the management of their apps.

Our reward points operation tools can provide mobile app developers with full functionality, and furthermore we also provide a variety of services to mobile app developers to operate the reward points programs on their behalf. In accordance with our customers' requirements, our services may range from the design of certain aspects of the reward points program, to the full conception and day-to-day operations of the program. Our dedicated team is responsible for communication with customers to understand their requirements and the implementation of our services.

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Marketing Campaign Tools and Customized Marketing Campaign Services

Our marketing campaign tools are a set of ready-to-use tools which mobile app developers can incorporate into their mobile apps. Online multiplayer contests, which can achieve instant user acquisition, are a common form of our marketing campaign tools. Our marketing campaign tools are displayed in the mobile apps and are designed to increase user traffic, encourage spending, and retain users on the apps. Mobile app developers can retain existing mobile user traffic and generate new mobile user traffic using our marketing campaign tools.

The following screenshots illustrate our selected marketing campaign tools:

Online multiplayer contests



Quiz competition

Others

In addition to the above ready-to-use marketing campaign tools, during festive seasons, our dedicated team also develops large-scale marketing campaigns in which mobile app developers may choose to participate. Integrated with our reward points operation tools, these marketing campaigns offer users opportunities to earn extra reward points and win gifts under the reward points programs.

BUSINESS

The following screenshots illustrate the design of some of our large-scale marketing campaigns:



Double Ninth Festival



Christmas



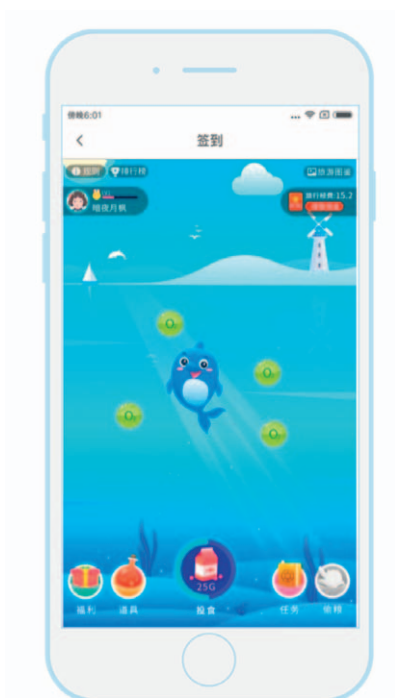
Singles' Day

Equipped with our strong marketing capabilities, we have been approached by a number of mobile app customers to design customized marketing campaigns for them. For example, in February 2018, we launched a tailor-made red packet promotional campaign for an online video platform during the 2018 Chinese New Year season based on our in-depth understanding of the characteristics and preferences of mobile app users. In that month, the campaign contributed more than 16 million page views, more than 8.8 million participating app users, more than 2.5 million times of campaign sharing by app users, and more than 1.4 million views by new users.

Check-in Tools

Check-in tools are an important component of our user management SaaS platform. These tools are designed to achieve the objective of retaining an active user base and acquiring new users by providing incentives to log on to the app regularly. Users who engage with the check-in tools are rewarded with a fixed or random amount of reward points or other gifts, and they are encouraged to do so on a daily basis as checking-in on consecutive days would yield higher rewards.

The following screenshots illustrate the design of some of our check-in tools:



A check-in tool aiming to activate existing users through virtual pet raising plans



A check-in tool targeting new users through a one-time reward

Monetization of our User Management SaaS Platform Business

We initially monetized our user management SaaS platform business by providing procurement services to mobile app customers and helping them make available gifts for redemption by mobile app users in their reward points programs. In April 2018, we began charging for our user management SaaS solutions on a pilot basis while we continue to offer procurement services.

Procurement Services

Gifts available for redemption by mobile app users on our user management SaaS platform may either be procured by our customers on their own or by us pursuant to our customers' instruction. Customers who require our procurement services must pay a deposit, from which the price of the relevant gifts procured for them would be deducted. The gifts we procure for our customers include merchandise, mobile phone payment credits, and e-wallet cash rewards. During the Track Record Period, the merchandise we sourced for our customers primarily included accessories and electronic products, and we sourced from vendors with which we have maintained long-term relationships and which could provide competitive pricing. In cases where customers instruct us to make available mobile phone payment credits and e-wallet cash rewards, we charge our customers a certain percentage of the purchase price as our processing fees.

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We recognize the sales price of merchandise we source for our customers as revenue, and the procurement cost of such merchandise as cost of sales. As for the mobile phone payment credits and cash rewards, we recognize the processing fees we charge our customers as revenue.

The following table sets forth selected financial indicators of our procurement services:

	Year ended December 31,		
	2016	2017	2018
	<i>(in thousands of RMB, except percentages)</i>		
Merchandise procurement services:			
Revenue from sales of goods	—	2,400	2,580
Gross profit margin	—	14.6%	21.2%
Payment credits and cash rewards procurement services:			
Revenue from processing fees	4,456	3,787	2,634
Gross profit margin ⁽¹⁾	42.5%	64.0%	95.8%
Amount of payment credits and cash rewards ⁽²⁾	271,695	202,679	140,733
Average processing fee rate	1.6%	1.9%	1.9%

Notes:

- (1) The increase in the gross profit margin of our payment credits and cash rewards procurement services in 2017 and 2018 was primarily because an e-wallet operator lowered its processing fee.
- (2) We do not recognize the amount of payment credits and cash rewards as revenue.

Fees

Until April 2018, in order to expand our customer base, we did not charge mobile app developers for our reward points operation tools, marketing campaign tools, and check-in tools. Through providing our solutions free-of-charge, we have been able to accumulate knowledge about users quickly, which in turn benefits app developers using our solutions as the effectiveness of our user management tools continues to improve.

In April 2018, we began charging certain customers of our user management SaaS solutions business on a pilot basis. Depending on app developers' needs, we offer a variety of charged services, ranging from standard solutions which include our ready-to-use user management tools and customer support, to customized marketing campaign design and implementation services executed by our dedicated team. During the Track Record Period, the annual fees we charged our customers for our standard solutions ranged from approximately RMB3,000 to RMB29,400 per customer, with an average price of approximately RMB8,900 per customer. The amount of fees we charge for our customized solutions depends on a number of factors including the scale and complexity of the particular marketing campaign project. During the Track Record Period, the customer base of our customized marketing campaign services had been expanding.

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As of December 31, 2018, 373 paying customers including 272 app developers (which are online businesses) and 101 offline businesses had used our charged services, and we recorded revenue of RMB8.4 million in 2018 from such business.

Interactive Advertising Business

We began providing interactive advertising solutions in 2015, and officially launched our interactive advertising platform in June 2016.

In an effort to provide full-cycle services by satisfying businesses' demand for user acquisition and monetization, we pioneered and launched our interactive advertising business in 2015 to capitalize on the knowledge of mobile app user behavior over a range of scenarios which we had accumulated through our user management SaaS platform business. Our interactive advertising tools are designed to increase user engagement by attracting users through fun and interesting interactive activities, thereby directing them to the mobile internet page which our advertisers designate. Our interactive advertising business connects advertisers with our media partners, including online publishers and media agents. For advertisers, our solutions enable them to maximize the rate of return of their advertising spending. For media partners, our solutions enable them to benefit from the high conversion rate of our interactive advertising and effectively monetize their mobile user traffic by receiving a share of our advertising revenue.

Features of our Interactive Advertising Solutions

Our advertising tools are designed to help optimize conversion rates. The most common form of our advertising tools is simple interactive activities embedded on mobile apps. Viewers who engage in the activities are awarded digital coupons, and if they claim the coupons, they will be redirected to the designated mobile internet page. We charge our advertising customers based on chargeable clicks which are counted when a user is redirected to the designated mobile internet page.

Using our large variety of advertising tools, our dedicated team takes the advertising content provided by our advertisers and helps online publishers to format and incorporate the advertising in a manner which matches the content and scenarios of their apps or their own marketing campaigns. This has helped media partners monetize their content distribution channels in a more effective manner.

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Typically, a user engaged by our advertising tools is prompted to visit the designated mobile internet page as follows:



An advertising tool is displayed to the user of a mobile app.

The user clicks on the advertisement and is invited to engage in an interactive activity.

A coupon is issued to the user upon completion of the activity. The user clicks on the "claim coupon" button.

The user is redirected to the mobile internet page designated by our advertising customer. A chargeable click is generated.

We have been continuing to exploring ways to enhance our interactive advertising business. For example, since June 2018, on a trial basis we launched a new feature in our interactive advertising solutions by issuing coupons first followed by interactive engagements thus leading to a faster growth in advertising page views than the growth in chargeable clicks.

The following table sets forth selected performance indicators of our interactive advertising business for the periods indicated:

	Year ended December 31,		
	2016 ⁽¹⁾	2017	2018
DAUs (millions) ⁽²⁾	0.6	7.7	20.5
MAUs (millions) ⁽²⁾	19.1	107.6	284.7
Advertising page views (millions) ⁽³⁾	95.2	6,765.2	14,523.8
Number of chargeable clicks (millions) ⁽⁴⁾	30.8	1,850.9	3,819.9
Under CPC model (millions) ⁽⁵⁾	N/A	1,580.6	3,072.2
Others (millions)	N/A	270.3	747.7
Click-through rate ⁽⁶⁾	32.4%	27.4%	26.3%
Average revenue per chargeable click under the CPC model (RMB)	N/A	0.36	0.35

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Notes:

- (1) The performance indicators are those we consider relevant for the assessment of the operations of our interactive advertising business under the CPC model, which commenced in 2016. We also generated a small portion of our revenue from our interactive advertising business under a CPA model after we commenced the CPC pricing model. See “—Pricing Models and Real-Time Bidding” below for details. In 2017, we started to record revenue and chargeable clicks by the CPC, CPA or other models, separately, through our system upgrade when the interactive advertising revenue based on the CPC model accounted for the majority of the revenue from our interactive advertising business.
- (2) DAUs and MAUs refer to the average number of active users of our HTML5 interactive advertising pages for the periods indicated, and not the average active users of the content distribution channels.
- (3) Advertising page views are the total number of page views of our HTML5 interactive advertising pages for the periods indicated. The increase in our advertising page views during the Track Record Period was mainly driven by the growth in demand for our interactive advertising and the continued expansion of our sales and marketing team and our operations team, which serviced the fast-growing business.
- (4) Chargeable clicks are the total number of times users are directed to the mobile internet pages designated by advertisers for the periods indicated.
- (5) See “Financial Information—Principal Components of Consolidated Statements of Profit or Loss—Revenue” for details.
- (6) Calculated as the number of chargeable clicks divided by the number of advertising page views for the periods indicated. The increase in our chargeable clicks during the Track Record Period was mainly driven by the same reasons contributing to the increase in our advertising page views as set forth in the preceding note 3.

In 2018, more than 90% of the aggregate MAUs contributed by our interactive advertising businesses were from users in non-first tier cities in China. We believe our interactive advertising is particularly popular among these users who, according to iResearch, tend to spend more time on the mobile internet and have higher monetization potential.

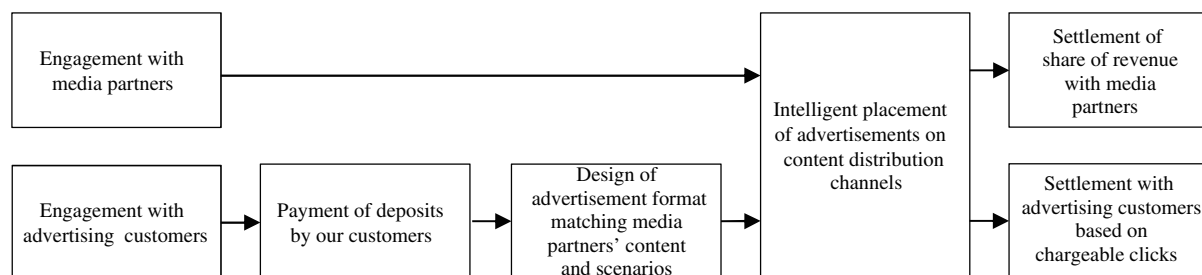
Our interactive advertising solutions are supported by our advanced placement algorithms which allow advertising to be displayed within an app to the target audience with high precision, as explained further in “—Technology”. For example, with the deployment of our advanced oCPC optimized bidding system, the effectiveness of the placement of advertising is improved through our automated recommendation of content distribution channels.

Business Process

We offer online interactive advertising solutions to advertisers through our cooperation with our media partners in China including online publishers and media agents. We receive advertising requests from advertising customers, and we display our interactive advertisements on the content distribution channels, which mainly include mobile apps. We create significant value by delivering higher conversion rates for our advertising customers and at the same time providing our media partners’ content distribution channels with effective user monetizing opportunities.

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The following diagram illustrates the business process of our interactive advertising business:



- Engagement with advertising customers and media partners:* In general, we enter into agreements with our customers, which include both direct advertising customers and advertising agent customers, and enter into separate agreements with our media partners. See “—Our Businesses—Interactive Advertising Business—Our Relationships with Advertising Customers” and “—Our Businesses—Interactive Advertising Business—Our Relationships with Media Partners” for details. Before we enter into business relationship with an advertising customer, we would review its business license to ascertain its identity and to ensure that placing advertisements is within its scope of business. We will also check if any media partner violated any national policies, laws and regulations or infringed on any third party’s rights and will cease our relationship with media partners having such violation or infringement.
- Prepayment of deposits by our advertising customers:* In general, our customers are required to pay a deposit to us before they are able to use our advertising solutions which is also in line with the industry norm of interactive advertising in China according to iResearch. We charge them by setting off the advertising fees payable against their deposit.
- Design of advertising:* We offer a selection of pre-designed advertising tools which our customers may customize according to their specific requirements, subject to our final approval. We will review the advertising contents to check if they would violate any applicable laws or the rights of third parties. Our dedicated team may be involved in the design of advertising campaigns and formatting for the content and scenarios of the relevant media partner. See “—Our Businesses—Interactive Advertising Business—Features of our Interactive Advertising Solutions” above for details.
- Intelligent placement of advertising:* The finalized advertising tools are placed on the media partners’ platforms using our self-developed placement algorithms to select the appropriate positioning. See “—Technology” below for details.
- Settlement with customers and online media partners:* Our charges payable by advertisers are based on the number of chargeable clicks generated from our advertising tools. As disclosed in “—Our Businesses—Interactive Advertising Business—Pricing Models and Real-Time Bidding” below, the pricing of our interactive advertising solutions is

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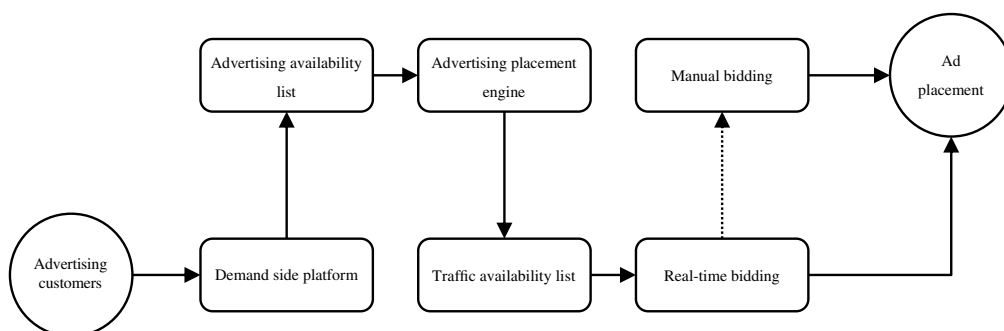
determined through a bidding process. We share a proportion of the advertising fee generated with the relevant media partner. The amount we pay to a specific media partner is generally based on the revenue generated from the placement of advertising tools on that media partner's platform and the rates agreed with the relevant media partner.

Pricing Models and Real-Time Bidding

We generally charge customers for our interactive advertising solutions based on the performance of the relevant advertisement. The majority of our revenue from our interactive advertising business during the Track Record Period was generated from the CPC model under which we charged customers only if users interacted with the advertisements we placed and were directed to the designated mobile internet pages. In the meantime, online publishers which incorporate our advertising tools are able to better monetize their content distribution channels through our revenue sharing arrangements and hence are also able to benefit from our highly effective placement algorithms.

During the Track Record Period, we also priced a small portion of our interactive advertisements on a CPA basis, and we have largely ceased such pricing model.

In general, the pricing per click of our interactive advertising solutions is determined through a bidding process, illustrated as follows:



Through our demand side platform, our advertising customers would submit the amount they are willing to pay on a CPC basis. Their advertising requests would then be available on our advertising availability list. According to the criteria provided by advertising customers, our advertising placement engine would match the requests with the available traffic on the traffic availability list, and our real-time bidding algorithms would select the bid expected to generate the highest click-through-rate and the most chargeable clicks for our platform. Where our system determines that none of the advertising requests list meets certain minimum criteria (such as where the bids are too low), such requests would be flagged for manual matching.

We have launched a new oCPC optimized bidding system which automatically identifies suitable content distribution channels for advertising content. The system helps advertisers to improve the efficiency in the placement of advertising through our automated recommendation of content distribution channels. Specifically, the system automatically adjusts the bidding price per click for a

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particular advertising space in accordance with the effectiveness of conversion for that advertising space. If our system predicts that a particular content distribution channel will likely generate more users who will further interact with the advertisers' designated pages after clicking on our advertisements, our system would make upward adjustments to the bidding price, and vice versa. This automatic bidding price adjustment mechanism helps advertisers achieve more consistent conversion results given their advertising budget.

If an advertising customer opts to enable the oCPC system, instead of submitting a bid for a fixed price, it would enter the amount it is willing to spend, and our system would automatically recommend a price for their advertising requests.

Our Relationships with Advertising Customers

In 2016, 2017 and 2018, our interactive advertising business had 412, 536, and 552 customers, respectively. In 2017 and 2018, it served 2,135 and 2,938 ultimate advertisers, respectively (either through advertising agents or as our direct customers). In 2018, we derived our revenue from interactive advertising business primarily from sales to advertising agent customers.

The following table sets forth the number of customers of our interactive advertising business by type for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
Advertising agent customers	8	115	83
Direct advertising customers	404	421	469
Total	412	536	552

The following table sets forth a breakdown of the revenue generated from our interactive advertising business by type of customers for the periods indicated:

	Year ended December 31,					
	2016		2017		2018	
	Amount	%	Amount	%	Amount	%
<i>(in thousands of RMB, except percentages)</i>						
Advertising agent customers	11,964	25.6%	524,960	86.4%	932,041	84.0%
Direct advertising customers	34,718	74.4%	82,312	13.6%	178,067	16.0%
Total	46,682	100.0%	607,272	100.0%	1,110,108	100.0%

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The number of our advertising agent customers decreased from 115 for 2017 to 83 for 2018. The decrease was primarily because smaller advertising agent customers turned gradually to larger advertising agent customers to acquire advertising services from us. By doing so, they can achieve cost savings per click through and better advertising performance because our oCPC optimized bidding system provides a volume rebate and offers more effective advertising performance when placing more advertisements for the same sectors of advertisers. As many of these advertising agent customers have turned to our larger advertising agent customers (rather than ceasing to do business with us), the decrease in the aggregate number of such customers from 2017 to 2018 had no material adverse impact on our results of operations.

During the Track Record Period, the aggregate number of our customers for a given period has been affected by the fact that advertisers are increasingly seeking to take advantage of volume rebate offered for higher quantities of advertisements placed, leading to an increase in the proportion of advertisements placed through advertising agents, and also by the fact that the number of active users, who are the target of our advertising, typically increases around festive seasons. As there are more festive seasons in the second half of the year that means advertising volumes typically increase in the second half of the year, according to iResearch. See “Risk Factors—Risks Relating to Our Business and Industry—The results of our operations are subject to seasonal fluctuations.”

We generally enter into annual agreements in our standard form with our advertising customers. The salient terms and conditions of such agreements are generally as follows:

Duration:	Generally within one year.
Responsibilities:	The customer shall ensure that the content of their advertising is accurate and that the quality of their products meets the requirements of the relevant laws and regulations. The customer shall indemnify us for any loss arising from their violation of any such laws and regulations. The launch of each individual advertisement is subject to our review and approval.
Payment:	The customer shall pay a deposit to our bank account, and our charges shall be deducted from the deposited amount.
Volume rebate:	We shall grant a certain percentage of volume rebate if the fees incurred by the customer exceed a certain amount. Such amount also determines the level of rebate.
Renewal and termination:	The agreement shall be automatically renewed for a further term of one year, unless either party serves a prior written notice on the other party to terminate the agreement.

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In 2016, 2017 and 2018, the aggregate amount of volume rebate, exclusive of taxes, we granted to advertising customers amounted to RMB0.4 million, RMB107.3 million and RMB156.0 million, respectively. The continued increase in the aggregate amount of volume rebate we granted to customers corresponded to the expansion of our interactive advertising business.

In 2016, 2017 and 2018, the aggregate amount of volume rebate, exclusive of taxes, we granted to advertising customers as a percentage of the total revenue generated from our interactive advertising business amounted to approximately 0.9%, 17.7% and 14.1%, respectively. Such percentage had increased generally since 2016 because we launched the volume rebate arrangement in 2016 and gradually increased its adoption in 2017.

See “Financial Information—Discussion of Certain Items from the Consolidated Statements of Financial Position—Contract Liabilities” for further details of the volume rebate we grant to advertising customers.

Our Relationships with Media Partners

We make arrangements for our advertising to be placed on different online content distribution channels via our media partners. We have business arrangements with our media partners consisting of both online publishers (i.e., owners of content distribution channels such as mobile apps) and media agents (i.e., media partners which do not own any content distribution channels) which engage with us on behalf of online publishers. The content distribution channels (whether we access from online publishers directly or through media agents) on which we place advertising primarily consist of mobile apps of different categories, such as social media, travel, news, practical tools, and music. As of December 31, 2018, we had placed advertisements on 4,065 content distribution channels.

In most cases, we share the revenue generated from our advertising tools with our media partners on whose content distribution channels the relevant advertisements have been placed.

The following table sets forth the number of our media partners by type with whom we had transactions for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
Online publishers	70	609	1,044
Media agents	—	130	397
Total	70	739	1,441

We take into account a number of criteria in the selection of content distribution channels, including their user traffic, the quality of their content and their reputation. Before placement of advertising on a specific content distribution channel, we would review the content distribution

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channel against these criteria in accordance with our internal procedures. Following the commencement of a business relationship, we would conduct periodic reviews of the content distribution channels to ensure that they continue to meet our standards.

We generally enter into online agreements in our standard form with our media partners when they register an account on our platform. The salient terms and conditions of the online agreement are set out as follows:

Fees:	The media partner is entitled to a certain percentage of the revenue we generate from the placement of advertising on its content distribution channels based on the number of click throughs generated. Payments to the media partners shall be settled monthly.
Responsibilities:	The media partner shall ensure the services and contents provided on the content distribution channel comply with national policies, laws and regulations and do not infringe on any third party's rights.
Illegitimate clicks:	The media partner shall not do anything which will result in illegitimate clicks on the advertising, including false clicks, forced clicks from users, clicks by automated clicking tools, inappropriately inducing users to click on the advertising, or placement of advertising elements in such a way that the normal operations of users are obstructed.
Content of advertising:	We shall ensure that the content of advertising we place on the media partner's content distribution channel does not violate any applicable laws or the rights of third parties.
Termination:	The agreement may be terminated by either party upon prior written notice.

In the event that our media partners require additional arrangements, such as settlement period, we may enter into a separate agreement. In general, the revenue we share with media partners is agreed separately on a case-by-case basis taking into account various factors including the size of the content distribution channels and prevailing market rates.

During the Track Record Period, we did not receive volume rebates from our media partners.

Other Businesses

In an effort to capitalize on new models of monetizing mobile user traffic, we seek to increase the depth and breadth of our engagement with mobile app users continuously. During the Track Record Period, we launched several apps and other products to generate user traffic, including (i) Tiantian Quwen (天天趣聞), a content aggregator app encouraging content viewing by offering cash rewards; and (ii) the Youfen (有粉) business which focuses on generating user traffic on our self-operated WeChat public accounts and is monetized primarily by displaying advertisements to subscribers to those public accounts.

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We also operated the business of selling online tokens to claw crane challenge players in our mobile app before we discontinued such app in September 2018.

In addition, in June 2017 we commenced an e-commerce business through our platform on our WeChat account by selling to end customers products we sourced from third party vendors, such as electronic products. After thorough consideration, in December 2017, we ceased to sell products directly to end consumers but shifted our e-commerce business model to focus on providing interactive advertising solutions for e-commerce businesses through our interactive advertising platform.

CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers primarily included (i) advertising agent customers and direct advertising customers using our interactive advertising solutions; and (ii) app developers (which are online businesses) and offline businesses who are the customers of our user management SaaS platform business. See “—Our Businesses—User Management SaaS Platform Business” and “—Our Businesses—Interactive Advertising Business” for details.

During the Track Record Period, our suppliers primarily included media partners consisting of online publishers and media agents that we engaged for the placement of advertising as part of the interactive advertising solutions we offer. See “—Our Businesses—Interactive Advertising Business—Our Relationships with Advertising Customers” for details. In addition, we purchased certain goods from third-party vendors as gifts for our user management SaaS operation. See “—Our Businesses—User Management SaaS Platform Business—Monetization of our User Management SaaS Platform Business”. During the Track Record Period, we also purchased goods for our discontinued e-commerce business and the business of selling online tokens to play a claw crane challenge in our mobile app. See “—Our Businesses—Other Businesses”. We also source data storage and cloud computing services from third-party service providers in China. See “—Information Technology Infrastructure” for details of our information technology infrastructure.

In 2016, 2017 and 2018, we had respectively 16, 120, and 109 business partners which were both our customers and suppliers during the same period. These business partners were primarily our advertising customers and media publishers, and only a small proportion of the customers of our user management SaaS platform business were also our suppliers. In 2016, 2017, and 2018, (i) sales to business partners which were both our customers and suppliers during the same period amounted to 4.2%, 8.3%, and 40.5% of our total revenue, respectively; and (ii) cost of sales attributable to business partners which were both our customers and suppliers during the same period amounted to 7.4%, 43.5%, and 22% of our total cost of sales, respectively. Although there was an overlap between our customers and suppliers during the Track Record Period, the degree of overlap, measured by the lower amount of revenue and cost of sales attributable to the same business partner, was insignificant.

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Major Customers

In 2016, 2017 and 2018, our five largest customers accounted for 31.5%, 45.9%, and 59.3% of our total revenue respectively, while the largest customer accounted for 10.6%, 15.3%, and 17.1% of our total revenue respectively for the same periods. During the Track Record Period, our five largest customers changed over the years.

The following table sets out our five largest customers based on revenue from them during the Track Record Period:

Customer	Background of the customer	Revenue	Period of business relationship
		<i>(in thousands of RMB)</i>	
2016			
1. Customer A . . .	An advertising agent customer based in Shenzhen	5,421	2016-2018
2. Customer B . . .	An advertising agent customer based in Beijing	3,817	2016-2017
3. Customer C . . .	An advertising customer based in Tianjin engaged in the development of e-commerce technologies	2,793	2016-2017
4. Customer D . . .	An advertising customer based in Beijing and an agent for an e-commerce platform	2,507	2016-2017
5. Customer E . . .	An advertising customer based in Shanghai engaged in providing relationship development and consultancy services	1,553	2016
2017			
1. Customer F . . .	An advertising agent customer based in Hangzhou	98,677	2017-2018
2. Customer G . . .	An advertising agent customer based in Tianjin	65,668	2016-2018
3. Customer H . . .	An advertising agent customer based in Guangzhou	64,982	Since 2016
4. Customer A . . .	See above	36,004	See above
5. Customer I . . .	An advertising agent customer based in Beijing	31,042	2017-2018

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Customer	Background of the customer	Revenue	Period of business relationship
		<i>(in thousands of RMB)</i>	
2018			
1. Customer J . . .	An advertising agent customer based in Beijing	194,466	Since 2018
2. Customer K . . .	An advertising agent customer based in Beijing	184,758	Since 2018
3. Customer H . . .	See above	119,575	See above
4. Customer L . . .	An advertising agent customer based in Shanghai	97,153	Since 2017
5. Customer M . . .	An advertising agent customer based in Shanghai	78,834	Since 2017

We have ceased our business relationships with a number of major customers during the Track Record Period. Specifically, we ceased to do business with Customer F mainly because it failed to maintain its advertisers' base to meet our development of the interactive advertising business and in the meantime it failed to proactively provide the Group with input for business cooperation. In respect of other major customers with which we no longer maintained active business relationships, we consider that the transaction amount with them to be relatively small, and such customers have either ceased to use our services, or have turned to our other media agents to acquire user traffic using our solutions to achieve cost savings per click and better advertising performance because our oCPC optimized bidding system provides a volume rebate and offers more effective advertising performance when placing more advertisements for the same sectors of advertisers.

During the Track Record Period, we did not have any material disputes with the aforementioned customers nor did we receive any material complaints from such customers.

To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital, had any interest in any of our five largest customers during the Track Record Period.

Major Suppliers

In 2016, 2017, and 2018, our five largest suppliers accounted for 58.6%, 19.5%, and 22.0% of our total purchases, while the largest supplier accounted for 17.4%, 9.1%, and 7.0% of our total purchases, respectively for the same periods.

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The following table sets out details of our largest five suppliers in 2016:

Supplier	Background of the supplier	Purchase amount	Period of business relationship
		<i>(in thousands of RMB)</i>	
1. Supplier A	A mobile payment services provider which provides e-wallet credits as gifts for redemption in our user management SaaS customers' reward points programs	2,498	Since 2014
2. Media Partner A	See the table below	1,672	2016
3. Media Partner B	See the table below	1,654	Since 2016
4. Supplier B	A cloud computing services provider based in Hangzhou	1,402	Since 2016
5. Media Partner D	See the table below	1,177	Since 2016

Following the rapid growth of our interactive advertising business, all of our five largest suppliers in 2017 and 2018 comprised of our media partners, except that Supplier B was our fourth largest supplier in 2018. Our purchase from Supplier B amounted to RMB19.0 million in that period. The details of our media partners are summarized below. Some of our five largest media partners in 2017 were no longer among our five largest media partners in 2018. The changes in the composition of our major media partners were primarily because in order to continue to source sufficient and higher-quality user traffic, we need to adjust our media partners that we cooperate with from time to time.

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The following table sets out details of our ten largest media partners in terms of purchase amount in 2016, 2017, and 2018. In addition to user traffic, we also sourced other services such as marketing services from some of these media partners.

Media Partner	Background of the media partner	Content distribution channels <i>(note)</i>	Total purchase amount	Amount of advertising revenue shared with the media partner	Percentage out of total revenue shared with media partners	Period of business relationship
<i>(in thousands of RMB)</i>						
2016						
1. Media Partner A.....	An online publisher based in Shanghai	A content aggregator app with DAUs over 20 million	1,672	1,672	21.3%	2016
2. Media Partner B.....	An online publisher based in Shenzhen	A browser app with DAUs over 100 million	1,654	1,104	14.1%	Since 2016
3. Media Partner C.....	An online publisher based in Beijing	A launcher app for the Android system	683	683	8.7%	2016-2017
4. Media Partner D.....	An online publisher based in Shenzhen	An internet voice communication app	1,177	580	7.4%	Since 2016
5. Media Partner E.....	An online publisher based in Huanggang, Hubei	A cash rewards app	395	395	5.0%	2016-2017
6. Media Partner F.....	An online publisher based in Tianjin	A cash rewards app	306	306	3.9%	Since 2016
7. Media Partner G.....	An online publisher based in Fuzhou	A weather app with DAUs over 1 million and a screen lock app	240	240	3.1%	Since 2016
8. Media Partner H.....	An online publisher based in Hangzhou	An instant messaging app with DAUs over 500,000	418	225	2.9%	Since 2016
9. Media Partner I.....	An online publisher based in Shanghai	A content aggregator app and a screen lock app	156	156	2.0%	Since 2016
10. Media Partner J.....	An online publisher based in Suzhou	A screen lock app	245	155	2.0%	Since 2016

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Media Partner	Background of the media partner	Content distribution channels <i>(note)</i>	Total purchase amount	Amount of advertising revenue shared with the media partner	Percentage out of total revenue shared with media partners	Period of business relationship
<i>(in thousands of RMB)</i>						
2017						
1. Media Partner K	A Shenzhen-listed information technology company which operates multiple mobile and internet products	An input method app with DAUs over 90 million, a weather app with DAUs over 3 million, and an online novel app with DAUs over 600,000	37,884	36,176	9.4%	Since 2017
2. Media Partner L.....	An online publisher based in Shenzhen	An audio books app with DAUs over 5 million	13,243	13,238	3.4%	Since 2017
3. Media Partner M.....	An online publisher based in Shenzhen	A workout app with DAUs over 2 million	11,019	11,019	2.9%	Since 2017
4. Media Partner N	A media agent based in Beijing	Sourcing user traffic from a sleep cycle app with DAUs over 50,000 and a parcel tracking website	9,656	9,502	2.5%	Since 2016
5. Media Partner O	A media agent based in Beijing	Sourcing user traffic from a telecommunications services provider in Jiangsu and Shandong	9,648	9,512	2.5%	Since 2017
6. Media Partner P.....	An online publisher based in Beijing	Various utility apps including a mobile phone safety app with DAUs over 120 million	9,446	9,445	2.5%	Since 2017
7. Media Partner Q	A media agent based in Beijing	Sourcing user traffic from various content apps such as a content aggregator app with DAUs over 300,000 and a comics app with DAUs over 100,000	9,211	9,211	2.4%	Since 2017

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Media Partner	Background of the media partner	Content distribution channels <i>(note)</i>	Total purchase amount	Amount of advertising revenue shared with the media partner	Percentage out of total revenue shared with media partners	Period of business relationship
<i>(in thousands of RMB)</i>						
8. Media Partner R.....	A media agent based in Beijing	Sourcing user traffic from an input method tool developed by a mobile phone manufacturer and the reward points mall of a localized services website	9,113	9,113	2.4%	Since 2017
9. Media Partner S.....	A media agent based in Guangzhou	Sourcing user traffic from a telecommunications services provider in Jiangsu and Zhejiang	8,445	7,845	2.0%	Since 2017
10. Media Partner T.....	An online publisher based in Shanghai	A food delivery app with DAUs over 3 million	7,812	7,812	2.0%	2017-2018
2018						
1. Media Partner K.....	See above	See above	51,055	51,055	7.3%	See above
2. Media Partner U.....	A media agent based in Hangzhou	Sourcing user traffic from a mobile payment app	35,472	35,472	5.1%	Since 2017
3. Media Partner V.....	A media agent based in Beijing	Sourcing user traffic from a large news recommendation app	34,590	34,590	4.9%	Since 2018
4. Media Partner A.....	See above	See above	18,937	18,937	2.7%	See above
5. Media Partner W.....	A media agent based in Shenzhen	Sourcing user traffic from a weather app developed by a mobile phone manufacturer	17,777	17,777	2.5%	Since 2017
6. Media Partner X.....	A media agent based in Yili, Xinjiang	Sourcing user traffic from a mobile phone safety app developed by a leading Chinese internet company	16,692	16,692	2.4%	Since 2018
7. Media Partner Y.....	An internet company based in Beijing	A mobile payment and membership management system	16,196	16,196	2.3%	Since 2017

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Media Partner	Background of the media partner	Content distribution channels <i>(note)</i>	Total purchase amount	Amount of advertising revenue shared with the media partner	Percentage out of total revenue shared with media partners	Period of business relationship
<i>(in thousands of RMB)</i>						
8. Media Partner Z.....	A media agent based in Shanghai	Sourcing user traffic from a major video platform	15,220	15,220	2.2%	Since 2018
9. Media Partner AA ...	A media agent based in Ningbo	Sourcing user traffic from major video platforms	14,604	14,604	2.1%	Since 2018
10. Media Partner BB ...	A media agent based in Hangzhou	Sourcing user traffic from a major video platform	13,162	13,162	1.9%	Since 2017

Note: DAUs of the content distribution channels are for December 2018 according to iResearch.

To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital, had any interest in any of our five largest suppliers during the Track Record Period.

DATA PRIVACY AND SECURITY

We accumulate data in our business operation. We put an emphasis on the compliance with relevant laws and regulations on data protection and privacy in our business operations and we seek to ensure the data that we accumulate is not misappropriated or misused. Save in limited circumstances where we are responsible for the delivery of gifts to users as part of our user management SaaS platform business, we only accumulate device-specific data such as the device IDs and IP addresses, but not any information standalone or together with other information can be used to identify a user and the length of time and the location the user uses services. Our PRC Legal Advisor is of the opinion that based on the scope of the data we accumulated, and our confirmation that such data do not possess the capability of identifying individual users, such data do not constitute "personal data", and accordingly the collection and usage of such user data shall not be subject to each individual user's consent under the applicable laws and regulations in the PRC. Similarly, we believe our business operation should not subject us to overseas laws and regulations on data privacy and security in respect of collecting data from app users primarily because save in the aforementioned limited circumstances we only accumulate device-specific data such as the device IDs and IP addresses, but not any information standalone or together with other information can be used to identify a user, and the vast majority of the mobile app users we interact with in our business operation are in China as all of our customers and content distribution channels are based in China. We will implement measures to comply with laws and regulations on data protection and privacy in jurisdictions outside of China when our business operation further expands into overseas markets.

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We treat all data we accumulate as confidential. We do not disclose any information we gather from advertisers or online publishers unless such disclosure is approved by them, and they have in turn obtained end user consent. We have put in place appropriate physical, electronic, and managerial procedures to safeguard and secure our data assets, including to prevent unauthorized access, to preserve their integrity, and to ensure their appropriate use. Our staff members with different levels or job duties are assigned different levels of access permissions to our systems and data. We have central controls to govern user roles and permissions and only system operation personnel have access to the physical locations of our servers. In addition, we have established hardware firewalls where all traffic is inspected and filtered. We conduct comprehensive security reviews of our data assets on an annual basis and *ad hoc* security reviews as needed from time to time.

Our legal director is responsible for overseeing the legal compliance of our business practices in relation to data privacy. We provide ongoing training to our operations and technology staff to enhance their knowledge on the protection of data privacy.

In the event that we expand our business overseas, we will strive to comply with the laws and regulations on data protection and privacy in relevant jurisdictions and seek appropriate legal advice if needed.

INFORMATION TECHNOLOGY INFRASTRUCTURE

Our platforms are built on a highly scalable and reliable cloud-based technology architecture. This allows us to harness large quantities of real-time data and ensures high-speed performance on a large scale to accommodate more clients and increased complexity of their online marketing campaigns.

- *Real-time analytics:* Our cloud-based technology architecture is built to be fully distributed while having a single unified access layer. Our architecture allows us to combine multiple data dimensions and apply various machine learning algorithms in real time to our data, providing the most up-to-date and accurate representations of a user's traits and online behavior.
- *Scalability:* With modular architecture built to be horizontally scalable, our platform can be easily expanded as data storage requirements and user base increase. Our data processing architecture is clustered and when the need arises, we can easily add servers and integrate them into our existing server clusters as either data nodes or processing nodes. In addition, load balancing technology helps us improve distribution of workloads across multiple computing components, optimizing resource utilization and minimizing response time.
- *Reliability:* Our technology layers have built in software and hardware redundancy and are designed to automatically switch if errors are detected. We built our platform on a distributed computing architecture with no single point of failure. In addition, our architecture supports multiple live copies of each data set along with snapshot capabilities for faster, point-in-time data recovery.

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TECHNOLOGY

We have a dedicated team of highly-skilled technology professionals with expertise spanning a wide range of areas. We made substantial investments in our technology infrastructure, which allows us to efficiently address the technical challenges associated with providing our services. Over the years, we have gained strong data analytics and AI capabilities. The following table set forth certain milestones of our research and development:

Time	Achievements
2016	<ul style="list-style-type: none">• We consolidated the data accumulated from our interactive advertising business into our big data system.• We established an independent and dedicated team in charge of data analytics.
2017	<ul style="list-style-type: none">• We started to utilize our self-developed big data programs to support data analytics.• We started to utilize our self-developed platform supporting reader-friendly presentation of fluctuations in operational indicators to support data analytics.• Our oCPC system went online.
2018	<ul style="list-style-type: none">• We started to utilize our self-developed platform supporting real-time monitoring of irregular activities.• We released a demographic targeting function for our interactive advertising business.

Data Analytics

We utilize data analytics to help us evaluate the performance of our business. Our audience tracking engine monitors our audience across various devices and channels to identify which user has been interacting with what content. It also uses cookies and other digital fingerprinting technologies, which take into account social network IDs, browsing behavior, network usage, IP addresses, and device features, to recognize and match a user across multiple channels, devices, and geographic locations, including de-duplication of multiple devices to a user.

The primary applications of our data analytics capabilities are as follows:

- *Performance analysis of advertising:* Data analytics tools are used to analyze the historical performance of advertising and predict future results. Based on such analysis, we manually adjust the specific advertising placement strategy, provide recommended bidding prices, and generate an optimized advertising plan for our customers. For example, our algorithms would generate notifications when the performance of a content distribution channel falls

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substantially short of the expected values. Using advanced data analytics tools, we would be able to identify the root cause in a short period of time and resolve the problem with the involvement of our operations or research and development personnel.

- *Real-time monitoring of irregular activities:* Our data analytics tools monitor key operation indicators (such as page views, number of coupons issued, and click-through rates) on a half-hourly basis to detect any substantial deviations from the usual patterns. This allows us to respond to irregularities such as click fraud in a timely manner.

AI

We utilize machine learning algorithms to achieve optimized placement of marketing materials in both our user management SaaS platform (in the forms such as marketing campaign tools to attract new app users) and our interactive advertising solutions. Our optimized placement of marketing materials can be achieved through placing marketing materials on a specific mobile app according to algorithms which select a suitable mobile app based on click-through-rate and chargeable clicks. With the help of machine learning, user profiles and algorithms are updated in real time, helping us to command a leading position in AI applications.

The primary applications of our AI technologies are as follows:

- *Prioritization of marketing materials:* The prioritization of the placement of specific advertising and marketing campaign tools on a content distribution channel is achieved by AI, which aims to maximize income based on real-time data. Specifically, our algorithms would predict the real-time rate of return to our platform for specific advertisements or marketing materials and select the materials expected to yield the highest return.
- *Intelligent matching of advertising content and user traffic:* We use AI technologies to predict the click-through rates for a specific user and display an advertisement which will generate the highest amount of expected income. We have launched a new oCPC optimized bidding system which automatically identifies suitable content distribution channels for advertising content. See “—Our Businesses—Interactive Advertising Business—Pricing Models and Real-Time Bidding” for details.
- *Provision of customized services:* For advertisers with a limited history of placing advertisements, we utilize techniques such as cluster analysis (by analysing the historical data of similar advertisers) to predict the appropriate type of traffic available on our platform, thereby helping advertisers to achieve a stable traffic supply.

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RESEARCH AND DEVELOPMENT AND PRODUCT DESIGN

As of December 31, 2018, we had a team of 326 technical and research and development employees.




In general, our process for launching new research and development activities can be divided into five phases, namely (i) demand review and approval; (ii) development; (iii) testing; (iv) launch; and (v) operation. We have formulated a set of internal procedures which stipulate the division of labor in carrying out our research and development activities.



Within our technical and research and development team, we also had a products and design team consisting of 106 staff members as of December 31, 2018. The team is dedicated to improving user experience in the development of new tools. We have also utilized our design capabilities to launch several apps and other products such as our Tiantian Quwen and Youfen businesses.

INTELLECTUAL PROPERTY

We seek to protect our intellectual property by the use of software copyrights, trademarks, works' copyrights, as well as good practice regarding the disclosure of information and data. As of the Latest Practicable Date, we had registered 28 software copyrights, which are primarily used in our user management SaaS and interactive advertising platforms. In addition, as of the Latest Practicable Date, we registered (i) 109 domain names including *duiba.cn* and *tuia.cn*, 34 trademarks, and 16 works' copyrights in the PRC; and (ii) 11 trademarks in Hong Kong. For further details of the intellectual property rights which we consider material to our business, see “Statutory and General Information—Further Information about our Business—7. Intellectual property rights of our Group” in Appendix IV to this prospectus.

Our Duiba and Tuia Trademarks

We have been advised by Corner Stone & Partners, a PRC legal advisor whom we have engaged to advise us on certain trademark matters, that in order to gain effective legal protection of our trade names including “兑吧” (*Duiba*) and “推啊” (*Tuia*), we should apply for trademark registration under classes 35 (which primarily covers advertising) and 42 (which primarily covers technological services). While our “ 兑吧” (*Duiba*) mark has been registered as a class 42 trademark in China, our trademark application for “ 兑吧” (*Duiba*) under class 35, as well as the applications for “推啊” and “ 推啊” (*Tuia*) under classes 35 and 42 were under review by the relevant authorities in China as of the Latest Practicable Date.

Our previous trademark applications for “ 兑吧” under class 35, and for “ 推啊” and “推啊” under classes 35 and 42 were rejected by the relevant authorities on the ground that there existed earlier trademarks purported to be similar and/or identical to our marks. If our current applications are again rejected by the relevant authorities, we intend to request a rejection review (商標駁回覆審) according to relevant PRC laws and we have engaged Corner Stone & Partners to prepare a submission for such review where needed.

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Legal Risks

We have been advised by Corner Stone & Partners that it would be unlikely for the PRC courts to rule in favor of the relevant trademark owners if they were to bring any lawsuit against us for infringement as a result of the use of “兑吧” (Duiba) “推啊” (Tuia) brands by us. The reasons include:

- Based on the online search conducted by Corner Stone & Partners, the relevant similar or identical earlier trademarks are not widely used in the PRC.
- Our use of “兑吧” and “推啊” in our company names in the PRC is legally protected and unaffected by the relevant earlier trademarks, according to the Provisions of the Supreme People’s Court on Issues Concerned in the Trial of Cases of Civil Disputes over the Conflict between Registered Trademark or Enterprise Name with Prior Right (最高人民法院關於審理註冊商標、企業名稱與在先權利衝突的民事糾紛案件若干問題的規定).
- In respect of “~~兑吧~~”, we may be entitled to apply for revocation of the registration of the similar earlier trademarks as our use of “兑吧” in the name of HZ Duiba predated the application date of those earlier trademarks.
- In respect of “推啊” and “~~推啊~~”, given that these marks are associated with our interactive advertising business which to a large extent falls within class 35 instead of class 42, and that there are no identical earlier trademarks under class 35, the risk of infringement is relatively low.

Notwithstanding the above, if the court ruled against us in any trademark infringement claims, we could be required to cease any infringing act and/or to compensate the claimant for its actual loss. However, we are advised by Corner Stone & Partners that in respect of trademarks for services like “兑吧” and “推啊”, it would be difficult to prove that any actual loss suffered by the trademark owner was as a result of trademark infringement. See “Risk Factors—Risks Relating to our Business and Industry—We may be subject to intellectual property infringement claims, which could be time consuming and costly to defend” for risks related to our potential infringements of other parties’ intellectual property.

In the unlikely event that we were required to cease using our trademarks such as “兑吧” and “推啊”, we consider that the impact on our operations would be manageable given the nature of our business and the fact that there are only limited scenarios where we would use those trademarks, and that our customers value our operational capabilities and quality of service much more than the trademarks borne by our solutions.

In light of the above, our Directors consider that the non-registration of our “兑吧” and “推啊” trademarks would not have any material adverse impact on our business operations. As of the Latest Practicable Date, we were not aware of any claim or lawsuit filed or threatened against us for trademark infringement.

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In order to strengthen our internal control on intellectual property management, we have established a function within our legal department with dedicated personnel to monitor potential incidents of intellectual property rights violation, and we have also engaged external professional advisors to seek advice on intellectual property-related issues relevant to our business operations.

MARKETING AND BUSINESS DEVELOPMENT

We implement various marketing and promotional measures to promote our platforms. In general, we emphasize the deepening of our relationship with existing customers, developing relationships with new potential customers, and the exploration of untapped market opportunities.

Our business development teams mainly target mobile apps with a large existing user traffic and engage with app developers to promote our solutions and services. For example, the marketing team of our user management SaaS platform business targets the top 300 mobile apps in China with the highest user traffic and seeks to offer them customized solutions.

Another focus of our sales and marketing strategy for our user management SaaS platform business is to actively identify offline businesses with potential demand for user management SaaS services, such as those in retailing, catering, and banking sectors to explore cooperation opportunities. These businesses have a large offline user base and we believe they present great untapped potential.

For our interactive advertising businesses, our marketing staff endeavor to expand our scale of business by introducing both direct advertising customers and advertising agent customers. We engage with them using different means such as through mobile communication channels and physical visits.

SEASONALITY

Our interactive advertising business is subject to seasonal fluctuations. The fourth quarter of each calendar year generally contributes the largest portion of our annual gross billing as our advertising customers tend to allocate a significant portion of their online marketing budgets to that quarter, which coincides with Chinese consumers' increased purchases around the holidays and shopping events in that quarter. The first quarter of each calendar year generally contributes a smaller portion of our annual gross billing, primarily due to a lower level of allocation of online marketing budgets by our advertising customers at the beginning of the calendar year in which the Chinese New Year holidays fall, during which time businesses in China are generally closed.

COMPETITION

We are subject to competition from providers of similar services as well as potential new types of online services. In particular, we face competition from other providers of user management SaaS and interactive advertising services. According to iResearch, the major competitors of our user management SaaS platform business mostly offer charged services. In contrast, while we have a growing base of paying customers, we mainly provided our user management SaaS solutions free of charge during the Track Record Period. We may lose the attractiveness of our user management SaaS services in terms of pricing when we began charging for them on a pilot basis in April 2018. In addition, we also compete with the other service providers in terms of the user management SaaS

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service offerings in the availability and quality of reward points mall, marketing campaign tools and check-in tools. According to iResearch, in 2018, our Group accounted for 51.7% of China’s mobile interactive advertising market in terms of revenue, ranking first in the industry. Our interactive advertising business was also leading our major competitors in terms of DAUs. According to iResearch, other providers of interactive advertising solutions may also provide advertising services in other formats such as native (a type of advertising that matches the form and function of the platform upon which it appears) and traditional online advertisement formats and compete with us in price and service quality. See “Industry Overview” for details.

We believe that our ability to compete effectively depends on many factors, including our ability to tailor our solution offerings and delivery and pricing models in accordance with the evolving needs of our customers, and how well we are able to help our media partners monetize their content distribution channels.

For risks relating to our competitiveness in the interactive advertising industry, see “Risk Factors—Risks Related to our Business and Industry—The mobile advertising market and the interactive advertising market in China are competitive and we may not continue to compete successfully”.

AWARDS AND RECOGNITIONS

The following table sets forth some of our major awards and recognitions as of the Latest Practicable Date:

Year	Awards / Recognitions	Issuing Entities
2018 . . .	Forbes 30 under 30 China List—Marketing and Advertising (in recognition of Mr. Chen Xiaoliang)	Forbes
2018 . . .	Pioneer of the Year 2017 (2017年度創業人物) (in recognition of Mr. Chen Xiaoliang)	Hangzhou Science Commission
2018 . . .	2018 Zheshang Pre-unicorn (2018浙商Pre獨角獸)	<i>Zheshang Magazine</i> (《浙商》雜誌)
2018 . . .	Jinyuan Most Valuable Marketing Platform (金遠獎最具價值營銷平台)	<i>Advertisers’ Journal</i> (《廣告主》雜誌)
2017 . . .	Mobile Internet Innovation Award of the Year 2017 (2017年度移動互聯最佳創新獎)	China WiFi Industry Alliance (中國WiFi產業聯盟)
2017 . . .	Corporate Innovation Model Award 2017 (2017企業創新典範獎)	China Finance Summit Organizing Committee (中國財經峰會組委會)
2016 . . .	Most Influential Operating Service Platform of the Year 2016 (2016年度最具影響力運營服務平台獎)	36Kr

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INSURANCE

As of the Latest Practicable Date, our Group did not maintain any insurance policies covering potential losses or damages in respect of our operations. We believe our practice is generally in line with the usual industry norms. For further details, see “Risk Factors—Risks Relating to our Business and Industry—Our limited insurance coverage could expose us to significant losses”.

HEALTH, WORK SAFETY, SOCIAL, AND ENVIRONMENTAL MATTERS

We do not operate any production, logistics, or storage facilities. We are not subject to significant health, work safety, social, or environmental risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary, adjust our human resources policies to accommodate material changes to relevant labor and work safety laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, there was no incident jeopardizing the health and safety of our employees during our Group’s operation, neither was there any penalty or fine in connection with the breach of any environmental or safety laws or regulations imposed on our Group. During the Track Record Period, the costs incurred in the compliance with the relevant safety laws and regulations in the PRC were minimal.

EMPLOYEES

Our Employees

As of December 31, 2018, we had a total of 610 employees in the PRC.

The following table sets out the number of our employees for each function as of December 31, 2016, 2017 and 2018:

Function	As of December 31,		
	2016	2017	2018
Technology, research and development, and products and design	114	222	326
Customer service, marketing and sales	111	192	233
Management and administration	17	39	51
Total	242	453	610

We have designed an evaluation system to assess the performance of our employees periodically. Such system forms the basis of our determinations of whether an employee should receive a salary raise, bonus or promotion. We believe the salaries and bonuses our employees receive are competitive with market rates.

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We place strong emphasis on providing training to our employees in order to enhance their technical and product knowledge. We design and offer different training programs for our employees in various positions. We also provide regular on-site and off-site trainings to help our employees improve their skills.

We currently recruit our employees primarily through placing advertisements on recruitment websites, internal referrals, employment agencies, and campus recruitment.

Employee Social Welfare Schemes

During the Track Record Period and up to the Latest Practicable Date, our Group had made contributions to the social insurance and housing provident fund for all our employees in the PRC. However, the salary basis on which our PRC subsidiaries made such contributions did not fully comply with the legal requirements. See “Risk Factors—Risks Relating to our Business and Industry—Our non-compliance with certain laws and regulations regarding certain employee social welfare schemes in the PRC could lead to the imposition of fines and penalties on us” for the relevant risks. The aggregate unpaid amounts by our Group to the social insurance authority as of December 31, 2016, 2017 and 2018 were approximately RMB4.9 million, RMB13.8 million and RMB25.9 million, respectively, and the aggregate unpaid amounts by our Group to the housing provident fund management centre as of December 31, 2016, 2017 and 2018 were approximately RMB2.5 million, RMB6.6 million and RMB10.8 million, respectively. As of December 31, 2018, we had fully provided for such unpaid amounts in our financial statements. Our Controlling Shareholders have agreed to indemnify us against any claims, fines and other liabilities arising from such non-compliances to the extent not provided for in our financial statements.

According to the certifying letters issued by social insurance and housing provident fund authorities in Hangzhou, during the Track Record Period, such authorities did not impose penalty on any of our PRC domestic subsidiaries for failure to make social insurance or housing provident fund contributions. According to our PRC Legal Advisor, such authorities are the competent authorities for issuing the relevant confirmations.

To prevent recurrence of the non-compliance incidents in relation to under-contributions of social insurance and/or housing provident fund, we will review our social insurance and housing provident fund contributions on a regular basis. Going forward, our domestic subsidiaries will adjust the salary basis on which to make social insurance and housing provident plan contributions, in accordance with applicable legal requirements. As of the Latest Practicable Date, we had not adjusted such salary basis for our existing employees as we were not able to do so for the social insurance before the window for rectification which, based on consultations with the relevant authorities, will open in April 2019. Meanwhile, we had started to contribute to employee social welfare schemes in accordance with the legal requirements for new employees.

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PROPERTIES

Owned property

As of the Latest Practicable Date, we did not own any property.

Leased properties

As of the Latest Practicable Date, we leased a total of 20 properties in the PRC from independent third parties as our offices. These properties are located in Hangzhou, Beijing, and Khorgas, Xinjiang with a total gross floor area of 4,939.32 sq.m. The leased areas of each property ranged from 7 sq.m. to 1,375.14 sq.m. The lease agreements of our properties generally have a two-year term.

Our PRC Legal Advisor has advised us that our leased property in Khorgas, Xinjiang with a total gross floor area of 303.24 sq.m. (accounts for approximately 6.1% of the total gross floor area of our leased properties in the PRC as of the Latest Practicable Date) does not have a valid title certificate. We use the property as the office for Khorgas Tuia. Our PRC Legal Advisor is of the opinion that the validity of this lease is uncertain under PRC law. In the event that this lease is proved to be invalid and we are required to vacate the property, we will search for new premises to relocate our office. We do not expect that we will experience difficulty in finding new premises, or that such relocation will cause any material adverse impact on our business given that this property is only used as an office and it is not crucial to the operation of our Group as a whole. As of the Latest Practicable Date, we were not aware of any challenge made by a third party or government authorities on the title of the leased property that might affect our use of such property.

Planned land acquisition

HZ Duiba entered into a framework agreement dated October 31, 2018 with the management committee of the Hangzhou Zijingang Science and Technology Town (the “**Zijingang Management Committee**”), a PRC government body responsible for the development, construction, and management of the Hangzhou Zijingang Science and Technology Town, whereby the Zijingang Management Committee has agreed to provide a land parcel to HZ Duiba for the construction of a new headquarters building, at a no less favorable price than offered to enterprises of a similar nature. In return, HZ Duiba has committed to invest a certain amount of funds in Hangzhou’s Xihu District where the land parcel is located. The area of the land parcel will be approximately 13,000 sq.m. with a plot ratio of 2.5. We intend to use the building primarily as our research and development facilities. We plan to enter into a formal agreement for the acquisition of land in connection with this project after the Listing, which is one of the key conditions set forth in the framework agreement.

We do not engage in any property activities as defined in Rule 5.01 of the Listing Rules. As of December 31, 2018, no single property interest had a carrying value exceeding 15% of our total assets.

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LEGAL COMPLIANCE MATTERS

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, (i) we did not commit any material violations of laws or regulations applicable to us which would have had a material adverse effect on our business or financial condition; and (ii) we had complied with the applicable laws and regulations in China in all material aspects.

See “—Employees—Employee Social Welfare Schemes” above for a description of certain legal matters relating to our compliance with PRC employment related laws and regulations which our Directors consider would not have a material and adverse effect on our business, financial condition, or results of operations. Our Directors are of the view that our Group has in place adequate internal control measures to ensure ongoing compliance with applicable laws and regulations.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our business, financial condition, or results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

We have established a set of risk management measures and internal control policies to identify, evaluate, and manage risks arising from our operations prior to Listing. We have also formed an audit committee comprising three independent non-executive Directors as part of our measures to improve corporate governance. The primary duties of the audit committee are to provide our Directors with an independent review of the effectiveness of the financial reporting process, internal control, and risk management system of our Group, to oversee the audit process, and to perform other duties and responsibilities as assigned by our Directors. We plan to continue strengthening our risk management and internal control policies by ensuring regular management review of relevant corporate governance measures and corresponding implementation.

LICENSES, PERMITS, AND APPROVALS

As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, approvals, and permits from the relevant government authorities that are material for our business operations and such licenses, approvals, and permits remained in full effect, and no circumstances existed that would render their revocation or cancellation.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of nine Directors comprising four executive Directors, two non-executive Directors and three INEDs. Our Board is responsible for and has been granted general powers for the management and conduct of our business.

The following table sets forth certain information in respect of the members of our Board:

Name	Age	Position	Date joining our Group	Date of appointment as a Director	Roles and responsibilities
Mr. Chen Xiaoliang (陳曉亮)	27	Chairman, CEO and executive Director	May 13, 2011	February 26, 2018	Strategic development and business operations.
Mr. Fang Hua (方華)	38	Chief product officer and executive Director	May 4, 2014	May 31, 2018	Overall product management, development and supervision.
Mr. Xu Hengfei (徐恒飛)	33	Chief technology officer and executive Director	May 4, 2014	May 31, 2018	Overall technology supervision, data and know-how management and improvement.
Mr. Zhu Jiangbo (朱江波)	27	Chief operating officer and executive Director	May 4, 2014	August 14, 2018	Overall operation and management of our business.
Mr. Huang Tao (黃韜)	34	Non-executive Director	May 31, 2018	May 31, 2018	Attending meetings and decision making processes of our Board to perform duties as a board member but not participating in the day-to-day management of our business operations.

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date joining our Group	Date of appointment as a Director	Roles and responsibilities
Mr. Sun Qiang Chang (孫強)	62	Non-executive Director	May 31, 2018	May 31, 2018	Attending meetings and decision making processes of our Board to perform duties as a Board member but not participating in the day-to-day management of our business operations.
Mr. Kam Wai Man (甘偉民)	43	INED	April 17, 2019	April 17, 2019	Supervising and providing independent judgment to our Board.
Dr. Ou-Yang Hui (歐陽輝)	56	INED	April 17, 2019	April 17, 2019	Supervising and providing independent judgment to our Board.
Dr. Gao Fuping (高富平)	55	INED	April 17, 2019	April 17, 2019	Supervising and providing independent judgment to our Board.

Executive Directors

Mr. Chen Xiaoliang (陳曉亮), aged 27, is the founder of our Group, our Chairman, CEO and an executive Director. He received a bachelor of science degree in information and computing science from Hangzhou Normal University Qianjiang College, the PRC in June 2013. He founded HZ Duiba in May 2011 and served as a director from its establishment until April 2014, when he became the chief executive officer of HZ Duiba. Mr. Chen Xiaoliang also holds directorship in our subsidiary, Duiba HK, and he is the legal representative of our subsidiaries, HZ Tuia, HZ Maibaola, HZ Baiqi and HZ Wanhai.

Mr. Fang Hua (方華), aged 38, is the chief product officer of our Group and an executive Director. He obtained a bachelor of science degree in automation from Inner Mongolia University of Science and Technology, the PRC in July 2003. From May 2004 to January 2005, he worked at Hangzhou Yuanwang Multimedia Software Engineering Co. Ltd. (杭州遠望多媒體軟件工程有限公司), a company engaged in sales and services relating to computers, electronics and office automation equipment. Mr. Fang then worked at Hangzhou Bainianjiye Sales Consultancy Co., Ltd. (杭州百年基業營銷顧問有限公司), a company engaged in sales of real estate properties and complementary services, between November 2005 and May 2006. Subsequent to that, he worked at Hangzhou Xinnongmen Information Technology Co., Ltd. (杭州新農門信息技術有限公司), a human resources

DIRECTORS AND SENIOR MANAGEMENT

information platform operator, from August 2006 to June 2007. Mr. Fang then relocated and worked at Hangzhou 365 Network Co., Ltd. (杭州三六五網絡有限公司), a business to customer e-commerce technology service provider, between November 2007 and December 2008. From January 2009 to April 2012, he worked at Hangzhou 365 E-commerce Holdings Co., Ltd. (杭州三六五電子商務股份有限公司), which operates a business to customer online shopping platform. From July 2012 to August 2013, he worked at Zhejiang Xinghe Electronic Commerce Co. Ltd. (浙江興合電子商務有限公司), an agricultural products e-commerce platform operator. From November 2013 to April 2014, Mr. Fang worked at Hangzhou Marksmile Internet Co. Ltd. (杭州名商網絡有限公司), an online brand protection services provider. He has been the chief product officer at HZ Duiba since May 2014. Mr. Fang also holds directorship in HZ Duiba.

Mr. Xu Hengfei (徐恒飛), aged 33, is the chief technology officer of our Group and an executive Director. He received a bachelor of science degree in electrical engineering and automation from Huazhong University of Science and Technology, the PRC in June 2007. Prior to joining our Group, Mr. Xu has worked at several technology companies in the PRC, including Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司), a company engaged in the research and development of computer software, hardware and internet technology products, Suzhou Vortexinfo Technology Co., Ltd. (蘇州市伏泰信息科技股份有限公司), a company engaged in the development of Internet of things, cloud computing, and big data based solutions for environmental sanitation management, and Fuyang Hengyan Computer Applications Co., Ltd. (富陽恒燕計算機軟件有限公司), a company engaged in sales and provision of consulting services relating to computer software technology. Since May 2014, he has been the chief technology officer of HZ Duiba, and he is responsible for our overall technology supervision, data and knowledge management and improvement.

Mr. Zhu Jiangbo (朱江波), aged 27, is the chief operating officer of our Group and an executive Director. He received a bachelor of science degree in Electronic Information Engineering (Embedded Software Services) from Hangzhou Normal University Qianjiang College, the PRC in June 2014. He joined our Group in May 2014 and served as the chief marketing officer of our Group from May 2014 to March 2018, responsible for the formulation and execution of the overall marketing strategies of our Group. Mr. Zhu was appointed as president of HZ Youfen in March 2018 and is also responsible for the overall business operation and management of HZ Youfen since then. Mr. Zhu was promoted to the chief operating officer of our Group in August 2018 and he is responsible for the overall operation and management of the business of our Group.

Non-executive Directors

Mr. Huang Tao (黃韜), aged 34, is a non-executive Director. Mr. Huang is the managing director of Orchid Asia Group Management, Limited. Since 2010, Mr. Huang has been responsible for Orchid Asia's private equity investment in the telecom media and technology sector and matters relating to the management of the investment enterprises. Mr. Huang obtained a bachelor of commerce degree in finance from The University of International Business and Economics, the PRC in July 2006. Prior to joining Orchid Asia, from 2006 to 2010, Mr. Huang worked at McKinsey & Company, Shanghai.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sun Qiang Chang (孫強), aged 62, is a non-executive Director. He is the managing partner for China at TPG, a global alternative investment firm. Prior to joining TPG, he founded and was the Chairman of Black Soil Group Ltd., an agriculture impact investing company. Mr. Sun earned a joint degree of MA/MBA from the Joseph H. Lauder Institute for Management & International Studies and the Wharton School of the University of Pennsylvania, the United States in May 1989. Mr. Sun is the founder and current honorary chairman of the China Venture Capital and Private Equity Association and the founder and executive vice chairman of the China Real Estate Developers and Investors' Association. Since May 2015, Mr. Sun has been an independent non-executive director of SOHO China Limited, a company listed on the Hong Kong Stock Exchange (stock code: 410).

INEDs

Mr. Kam Wai Man (甘偉民), aged 43, was appointed as our INED on April 17, 2019. Mr. Kam has over 15 years of experience in corporate finance. Mr. Kam has served as a managing director of Innovax Capital Limited (“**Innovax Capital**”) since February 2017. He has been a responsible officer of Innovax Capital for Type 6 regulated activities (advising on corporate finance) under the SFO since April 2017 and Mr. Kam is one of the sponsor principals of Innovax Capital.

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

Mr. Kam obtained a bachelor of arts (Honors) in business studies from City University of Hong Kong in November 1997 and a Postgraduate Diploma in Professional Accountancy from the Chinese University of Hong Kong in December 2004. He is a member of the Hong Kong Institute of Certified Public Accountants and a CFA Institute charterholder.

Dr. Ou-Yang Hui (歐陽輝), aged 56, was appointed as our INED on April 17, 2019. Dr. Ou-Yang is the Dean's Distinguished Chair Professor of Finance and the academic director for executive master of business administration program at Cheung Kong Graduate School of Business. Dr. Ou-Yang obtained a doctor of philosophy degree from Tulane University, the United States in December 1990, and a doctor of philosophy degree in business administration from the University of California, Berkeley, the United States in May 1998.

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

Dr. Gao Fuping (高富平), aged 55, was appointed as our INED on April 17, 2019. Dr. Gao obtained a bachelor's degree in political science from the China University of Political Science and Law, the PRC in July 1987, a master's degree in law from Shanxi University, the PRC in July 1993 and a doctor's degree in civil commercial law from China University of Political Science and Law, the

DIRECTORS AND SENIOR MANAGEMENT

PRC in July 1998. In September 1995, Dr. Gao was admitted as a qualified lawyer by the Ministry of Justice of the PRC. In September 2001, he was recognized as a “Shu Guang” scholar (曙光學者) by the Shanghai Municipal Education Commission (上海市教育委員會) and the Shanghai Educational Development Foundation (上海市教育發展基金會).

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

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

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. Mr. Chen Xiaoliang, Mr. Fang Hua, Mr. Xu Hengfei and Mr. Zhu Jiangbo, our executive Directors, are also our senior management; see “—Directors—Executive Directors” above for their biographical information. The following table provides information about other members of our senior management team:

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities in our Group
Mr. Huang Huiquan (黃輝權)	34	Technical vice president of HZ Duiba	November 7, 2016	November 7, 2016	Management of the technical aspects of our business
Mr. Lyu Bin (呂斌)	29	Operational vice president of HZ Duiba	June 1, 2016	June 15, 2017	Monitoring our overall operation and HZ Tuia’s interactive advertising platform
Mr. Ding Chen (丁晨)	35	Co-president of HZ Duiba	January 4, 2016	January 4, 2016	Developing and managing our user management SaaS platform business
Mr. Yi Bingmin (易炳民)	39	Financial controller	October 25, 2017	October 25, 2017	Overseeing our financial matters

DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang Huiquan (黃輝權), aged 34, is the technical vice president of our Group. He received a bachelor of engineering degree in measurement and control technology and instruments from Guilin University of Electronic Technology, the PRC in June 2006. Mr. Huang joined our Group in November 2016 and served as the technical vice president of our Group since then. Mr. Huang has previously worked at Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司), a company engaged in, among other things, the research and development of computer software and hardware, network technology products and multimedia products, from March 2010 to November 2016, where he was a technical expert.

Mr. Lyu Bin (呂斌), aged 29, is the operational vice president of our Group. Mr. Lyu received a bachelor of science degree in materials science and engineering from Shanghai Jiao Tong University, the PRC in July 2010. Mr. Lyu joined our Group in June 2016 as project general manager of HZ Duiba, and then served as operational general manager of HZ Tuia from December 2016 to June 2017. Subsequently, Mr. Lyu has been promoted and serving as the operational vice president of our Group from June 2017.

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

Mr. Ding Chen (丁晨), aged 35, is a co-president of HZ Duiba. Mr. Ding received a bachelor of science degree in chemical engineering and technology from Hubei University, the PRC in June 2006. Mr. Ding joined our Group in January 2016 as co-president of HZ Duiba in December 2017. Mr. Ding possesses the following past work experience:

Term of appointment	Position	Company	Company's business
November 2010 to March 2013	Senior product manager	Beijing Xinchao Xunjie Information Technology Co., Ltd. (北京新潮訊捷信息技術有 限公司)	Research and development of computer software, network technology and mobile communication information technology
April 2013 to December 2013	Senior product manager	Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司)	Research and development of online shopping platform technology, computer hardware and software, network technology products and multimedia products

DIRECTORS AND SENIOR MANAGEMENT

<u>Term of appointment</u>	<u>Position</u>	<u>Company</u>	<u>Company's business</u>
February 2014 to December 2015.	Co-founder	Shanghai Momai Technology Co., Ltd. (上海摩麥信息技術有限公 司)	Research and development of computer, network technology and electronic product technology

Mr. Yi Bingmin (易炳民), aged 39, is the financial controller of our Group. He has over ten years of experience in accounting and financial management. He received an associate degree in accounting from Henan University of Finance of Economics (河南財經學院), the PRC in June 2005, and later he obtained a bachelor of finance degree from Dongbei University of Finance and Economics (東北財經大學), the PRC in July 2013 through online courses. Mr. Yi became a non-practicing member of the Zhejiang Institute of Certified Public Accountants in May 2010.

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

OTHER INFORMATION IN RELATION TO OUR DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed in this prospectus, each of our Directors has confirmed that there are no other matters relating to his appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Save as disclosed in this prospectus, none of our Directors and senior management hold any other positions within our Group.

Save as disclosed above, none of our Directors and senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

None of our Directors and senior management is related to other Directors and senior management.

DIRECTORS AND SENIOR MANAGEMENT

For the business address of the senior management, please see the address of our principal place of business in Hangzhou, the PRC in “Corporate Information”.

JOINT COMPANY SECRETARIES

Mr. Wang Saibin (王賽斌), aged 27, was appointed as one of the joint company secretaries of our Company on August 28, 2018. Mr. Wang passed the PRC Certified Public Accountant examination on auditing in 2017. Mr. Wang joined our Group in April 2018 and has been our finance manager since then. He is responsible for the financial reporting and business management of our Group.

Prior to joining our Group, Mr. Wang worked at the assurance department of Ernst & Young Hua Ming LLP Hangzhou Branch from October 2014 to April 2018, where his last position was senior accountant. Mr. Wang obtained a bachelor of management degree in accounting from Zhejiang University of Finance and Economics, the PRC in June 2014.

Ms. Ng Ka Man (吳嘉雯) was appointed as one of the joint company secretaries of our Company on September 28, 2018. Ms. Ng works at TMF Hong Kong Limited, a global corporate services provider. She has over ten years of working experience in the company services profession.

Ms. Ng obtained a master’s degree in corporate governance. She is an associate member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ng is currently the company secretaries of various companies listed on the Hong Kong Stock Exchange, including Quanzhou Huixin Micro-credit Co., Ltd. (stock code: 1577), Longitech Smart Energy Holding Limited (stock code: 1281), Zhaojin Mining Industry Company Limited (stock code: 1818), Sun King Power Electronics Group Limited (stock code: 580), WWPKG Holdings Company Limited (stock code: 8069), and Byleasing Holdings Limited (stock code: 8525).

Notwithstanding Ms. Ng Ka Man holds the roles as company secretaries and, as the case may be, she is also responsible for the compliance work of various companies listed on the Hong Kong Stock Exchange, as advised and confirmed by Ms. Ng, she has sufficient time to act as one of our joint company secretaries based on the following:

- engagement as company secretary of other companies does not require her full time involvement and participation in the daily operations, and she is primarily responsible for overseeing the company secretarial work and, as the case may be, the compliance work of those companies. None of the listed companies that she works as a company secretary with has questioned or complained about her time devoted to such listed companies;
- with her background and experience, Ms. Ng is fully aware of the responsibilities and expected time involvements for a company secretary. She has not found difficulties in devoting her time to multiple companies and she is confident that with her experience in taking on multiple roles, she will be able to discharge her duties to our Company;

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- Ms. Ng is supported by a team of staff engaged in corporate secretarial work, which are able to devote substantially all of their time to the relevant company secretarial work; and
- Ms. Ng's experience as a company secretary of companies listed on the Hong Kong Stock Exchange would facilitate her understanding of company secretarial work and her proper discharge of responsibilities as one of our joint company secretaries.

Ms. Ng has undertaken to devote sufficient time to attend to the company secretarial work of our Group, and based on the foregoing, we do not have reason to believe that the various positions currently held by Ms. Ng will result in Ms. Ng not having sufficient time to act as one of our joint company secretaries or not properly discharging her duties as one of our joint company secretaries.

CORPORATE GOVERNANCE

Chairman and CEO

Mr. Chen Xiaoliang, who is an executive Director, will also continue to assume the responsibilities as our Chairman and CEO upon Listing. Code provision A.2.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules states that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Our Board believes that Mr. Chen Xiaoliang should continue to assume the responsibilities of CEO upon Listing as this arrangement will improve the efficiency of our decision-making and execution process given his knowledge of our Group's affairs. Further, our Company has put in place an appropriate check-and-balance mechanism through the Board and the INEDs. In light of the above, our Board considers that the deviation from Code provision A.2.1 of the Corporate Governance Code is appropriate in the circumstances of our Company.

Board Diversity

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to the Company's development. 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 experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Our Board members have a balanced mix of experiences and background, including but not limited to experiences in computer science, e-commerce, electronics, real estate, securities, financial, education and legal industries. Our Board members obtained degrees in various majors including information and computing science, automation, electrical engineering, electronic information engineering, finance, business administration, political science and law. We have two non-executive Directors and three INEDs with different industry backgrounds, and they together represent more than half of the members of our Board. Moreover, our Board members has a wide range of age, ranging from 27 years old to 62 years old. While we recognize that the gender diversity at the Board level can

DIRECTORS AND SENIOR MANAGEMENT

be improved given its current composition of all-male Directors, we will continue to apply the principle of appointments based on merits with reference to our board diversity policy as a whole, and we will continue to take steps to promote gender diversity at all levels of our Company.

Our nomination committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. After Listing, our nomination committee will review the board diversity policy from time to time to ensure its effectiveness and we will disclose in our corporate governance report a summary of the board diversity policy and the related objectives we have set and the progress on achieving the objectives on an annual basis.

BOARD COMMITTEES

Audit Committee

We established an audit committee on April 17, 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, being Mr. Kam Wai Man, Dr. Ou-Yang Hui and Dr. Gao Fuping. Mr. Kam Wai Man has been appointed as the chairman of the audit committee, and is an INED possessing the appropriate professional qualifications. The primary duties of the audit committee are to provide our Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by our Directors.

Remuneration Committee

We established a remuneration committee on April 17, 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of four members, being Dr. Ou-Yang Hui, Dr. Gao Fuping, Mr. Kam Wai Man and Mr. Zhu Jiangbo. Dr. Ou-Yang Hui, an INED, has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee include, amongst others, the following matters: (i) making recommendations to our Directors on our policy and structure for remunerations of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration, (ii) determining the terms of the specific remuneration package of our Directors and senior management, and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination Committee

We established a nomination committee on April 17, 2019 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee comprises four members, being Mr. Chen Xiaoliang, Dr. Ou-Yang Hui, Dr. Gao

DIRECTORS AND SENIOR MANAGEMENT

Fuping and Mr. Kam Wai Man. Mr. Chen Xiaoliang has been appointed as the chairman of our nomination committee. The primary duties of the nomination committee are to make recommendations to our Directors on all new appointments of Directors and senior management, interviewing nominees, to take up references and to consider related matters.

Directors' and Senior Management's Remuneration

The aggregate amount of remuneration including salaries, bonuses, allowances, benefits in kinds, pension scheme contributions and equity-settled share award expense that the five highest paid individuals of our Group received from us in respect of 2016, 2017 and 2018 were approximately RMB1.8 million, RMB3.8 million and RMB5.8 million, respectively. In 2016, 2017 and 2018, nil, nil and one of the highest paid individuals were Directors, respectively.

During the Track Record Period, no remuneration was paid to the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

For information on our Directors' service contracts and their remuneration, see "Statutory and General Information—Further Information about Directors—8. Directors" in Appendix IV to this prospectus for details.

Our Board will review and determine the remuneration and compensation packages of the Directors and senior management which, following the Listing, will receive recommendations from our remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and the performance of our Group.

COMPLIANCE ADVISOR

We have appointed Sinolink Securities (Hong Kong) Company Limited ("**Sinolink**") as our compliance advisor upon Listing pursuant to Rule 3A.19 of the Listing Rules. The material terms of the compliance advisor's agreement entered into between our Company and Sinolink include the following:

- (a) Sinolink is to be appointed by our Company as our compliance advisor for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date or on the date on which such agreement is terminated pursuant to the terms thereof, whichever is earlier, and

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- (b) pursuant to Rule 3A.23 of the Listing Rules, our Company will consult with and, if necessary, seek advice from Sinolink on a timely basis in the following circumstances:
- (i) before the publication of any regulatory announcement, circular or financial report,
 - (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases,
 - (iii) 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, developments or results of our Group deviate from any forecast, estimate, or other information in this prospectus, or
 - (iv) where the Hong Kong Stock Exchange makes an inquiry of us of unusual movements in the price or trading volume of our listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

FINANCIAL INFORMATION

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial information as of and for each of the years ended December 31, 2016, 2017 and 2018 and in each case, the related notes set out in the Accountant's Report in Appendix I to this prospectus. Our audited consolidated financial information has been prepared in accordance with HKFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including but not limited to, those set forth under "Risk Factors".

OVERVIEW

We are a user management SaaS provider for online businesses and the leading interactive advertising platform operator in China. According to iResearch, we ranked first in (i) China's user management SaaS market in terms of the number of registered mobile apps as of December 31, 2018 each with DAUs above one million; and (ii) China's mobile interactive advertising market in terms of revenue in 2018, with a market share of over 50%.

Launched in 2015, our interactive advertising business capitalizes on the knowledge of mobile app user behavior across a range of scenarios which we had accumulated through our user management SaaS platform business. During the Track Record Period, our interactive advertising business experienced rapid growth in terms of revenue generated. In 2016, 2017 and 2018, the revenue generated from our interactive advertising business as a percentage of our total revenue was 91.3%, 94.0%, and 97.6%, respectively. In the mobile internet era, user acquisition and retention have become core business performance indicators for mobile apps. Building on our experience in helping mobile apps to acquire and retain users, we recently expanded to serve offline businesses (i.e., enterprises that primarily operate their businesses offline through physical outlets) with strong potential demand for our user management solutions. According to iResearch, our Group accounted for 0.3% of China's overall mobile advertising market in terms of revenue in 2018.

Launched in 2014, our user management SaaS platform is designed to help businesses attract and retain online users. Our SaaS platform offers various fun and engaging user management tools, including reward points operation tools, marketing campaign tools, and check-in tools to boost mobile app user activity and the time spent on apps. Having initially launched our user management SaaS platform on a free-of-charge model in order to expand our customer base with the revenue only derived from our procurement services, we began charging for our user management SaaS solutions on a pilot basis in April 2018.

As of December 31, 2018, more than 14,000 mobile apps (including (i) 58 with DAUs over 9 million; (ii) 89 with DAUs between 1 and 9 million; and (iii) 246 with DAUs between 50,000 and 1 million in December 2018) had registered with our user management SaaS platform, reaching more than 1.3 billion mobile app users. According to iResearch, as of December 31, 2018 our user management SaaS platform was used by 53.0% of the top 100 mobile apps in terms of DAUs in December 2018 in China. We have recently extended our user management SaaS to serve offline businesses, serving 101 such businesses as of December 31, 2018.

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In an effort to provide full-cycle services by satisfying businesses' demand for user acquisition and monetization, we pioneered and launched our interactive advertising business in 2015 to capitalize on the knowledge of mobile app user behavior across a range of scenarios which we had accumulated through our user management SaaS platform business. Our interactive advertising tools engage users through fun and interesting interactive activities, thereby directing them to the mobile internet page which our advertisers designate. Our interactive advertising business has allowed us to develop a new customer base from that of our user management SaaS platform business. Our interactive advertising business connects advertisers with our media partners, including online publishers and media agents. For advertisers, our solutions enable them to maximize the rate of return of their advertising spending. For media partners, our solutions enable them to benefit from the high conversion rate of our interactive advertising and effectively monetize their mobile user traffic.

Our revenue increased significantly from RMB51.1 million in 2016 to RMB645.8 million in 2017, and to RMB1,137.0 million in 2018. In 2016, we had loss for the year of RMB87.4 million; we had profit for the year of RMB98.1 million in 2017 and loss for the year of RMB291.6 million in 2018, respectively.

BASIS OF PRESENTATION

The Company was incorporated as an exempt liability company in the Cayman Islands on February 26, 2018. Pursuant to the Reorganization as more fully explained in "History, Reorganization and Corporate Structure—Reorganization", the Company became the holding company of the companies now comprising our Group on May 28, 2018 after a series of transactions for the purpose of the Reorganization. As the Reorganization only involved inserting new holding companies at the top of an existing company and has not resulted in a change of respective voting and beneficial interests, the historical financial information for the Track Record Period has been presented as a continuation of the then holding company by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of our Group as of December 31, 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries now comprising our Group using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

The consolidated historical financial information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs")) and Interpretations issued by the HKICPA.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and are expected to continue to be materially affected by a number of key factors, including the following:

General Conditions Affecting the Economy and the Industry in which We Operate in China

Our results of operations have been affected by and will continue to be affected by the general conditions affecting the economy as well as the user management SaaS industry and the interactive advertising industry in China, including:

- the overall economic condition in China,
- the development of the mobile internet market and the mobile app market in China,
- the growth of the user management SaaS industry and the interactive advertising industry in China,
- competition in the user management SaaS industry and the interactive advertising industry in China,
- the advancement in technologies affecting these industries, and
- the evolving regulatory environment.

Following years of rapid growth in the overall number of mobile internet users in China, the growth rate has slowed down and the demographic dividend generated from the popularization of the internet has waned. As a result, mobile apps have shifted their focus to increasing user activity and monetization efficiency, and the market for mobile app user management SaaS has great potential and prospects. According to iResearch, the market size of the user management SaaS industry in China increased from RMB0.2 billion in 2013 to RMB4.4 billion in 2018, representing a CAGR of 78.1%, and it is expected to grow to RMB41.9 billion in 2023, representing a CAGR of 56.8% from 2018. See “Industry Overview—China’s User Management SAAS Market—Market Size” for details. At the same time, mobile interactive advertising has gained increasing popularity in China. In 2018, the market size of China’s mobile interactive advertising market reached RMB2.1 billion in terms of revenue and is expected to reach RMB13.5 billion by 2023, representing a CAGR of 44.5% from 2018. See “Industry Overview—China’s Mobile Interactive Advertising Market—Market Size” for details.

Benefiting from the strong demand for user management SaaS platform services and interactive advertising services in China, we experienced significant growth in our revenue. Our revenue increased significantly from RMB51.1 million in 2016 to RMB645.8 million in 2017, and to RMB1,137.0 million in 2018.

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Market reception of our Solutions

Our results of operations have been affected by the market reception of our solutions.

In 2016, 2017 and 2018, we generated 91.3%, 94.0% and 97.6% of our revenue from our interactive advertising business, respectively. Our interactive advertising business also experienced significant revenue growth during the Track Record Period and increased from RMB46.7 million in 2016 to RMB607.3 million in 2017 and to RMB1,110.1 million in 2018. Such significant revenue growth was mainly contributed by the market reception of our interactive advertising solutions which can be demonstrated by a number of operation indicators set forth below. Since 2016, the customers of our interactive advertising business have started to pay for our solutions under the CPC model under which they are charged only if viewers interacted with our advertising tools and were directed to the mobile internet page designated by the advertisers. Therefore, the revenue generated from our advertising solutions based on CPC model is directly correlated to the number of chargeable clicks as well as the average revenue per chargeable click based on the CPC model. Since 2017, our interactive advertising revenue based on the CPC model has accounted for the majority of the revenue from the interactive advertising business. The number of our chargeable clicks under the CPC model increased significantly from 1,580.6 million in 2017 to 3,072.2 million in 2018. In addition, the revenue generated from our interactive advertising business under the CPC model is also affected by the amount per click our customers are willing to pay. In general, the amount per click is determined through a real-time bidding process. In 2017 and 2018, the average revenue per chargeable click under the CPC model was RMB0.36 and RMB0.35, respectively.

In 2016, 2017 and 2018, we generated 8.7%, 1.0%, and 1.2% of our revenue from our user management SaaS platform business, respectively. Our user management SaaS platform business also experienced revenue growth during the Track Record Period. The revenue for our user management SaaS platform business increased from RMB4.5 million in 2016 to RMB6.2 million in 2017 and to RMB13.7 million in 2018. Such significant revenue growth was mainly contributed by the market reception of our user management SaaS platform solutions which can be demonstrated by a number of operation indicators set forth below. During the Track Record Period, we primarily monetized our user management SaaS platform by providing procurement services to mobile app customers and helping them make available gifts for redemption by mobile app users in their reward points programs. Therefore, the revenue generated from our user management SaaS platform business is related to mobile app users' willingness to engage with our user management tools. In 2016, 2017 and 2018, the DAUs contributed by our user management SaaS platform were 2.8 million, 3.9 million, and 5.6 million, respectively, and the MAUs contributed by our user management SaaS platform were 32.6 million, 60.5 million, and 97.9 million, respectively.

As we launched the interactive advertising business in 2015, it achieved a rapid revenue growth which was partly due to the lower base of revenue we had for the interactive advertising business in the initial year. When we gradually ramped up our interactive advertising business, we do not expect to continue to maintain the revenue growth rate at the same level. See "Risk Factors—Risks Relating to Our Business and Industry—Our significant growth during the Track Record Period may not be indicative of our future growth" for potential risk on our business growth.

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Our Business Innovation

Our capability to innovate new businesses is the foundation of our significant growth during the Track Record Period. Through launching our mobile app reward points operation services in 2014, we pioneered a comprehensive set of user management tools to boost mobile app user activity and the time spent on apps. Our innovation in user management SaaS has achieved success through continued improved operation as evidenced by the increased number of mobile apps registered with our user management SaaS platform from 4,648 as of December 31, 2016 to more than 14,000 as of December 31, 2018, as well as the significant increased DAUs and MAUs contributed by our user management SaaS platform from 2.8 million and 32.6 million in 2016 to 5.6 million and 97.9 million in 2018, respectively.

Through the continuous upgrades of our user management SaaS platform and our accumulated experience in operating the user management SaaS platform, including gaining access to numerous mobile apps and their users, we have further explored innovative business models and launched our interactive advertising business in 2015. This new business also achieved immediate success after its launch. Specifically, the number of advertising page views increased significantly from 95.2 million in 2016 to 14,523.8 million in 2018, while the number of chargeable clicks increased significantly from 30.8 million in 2016 to 3,819.9 million in 2018. We continued to develop new businesses following the launch of our interactive advertising business. We launched several apps and other products that generated user traffic including Tiantian Quwen (天天趣聞), a content aggregator app encouraging content viewing by offering cash rewards to further monetize our own user traffic.

Our large and growing business partner base

We have established a large network of business partners including mobile apps, media partners and offline businesses. We provide full-cycle online business operation services to them including user acquisition, management, retention and monetization. Our established relationships with our business partners have allowed us to increase the scale of our business rapidly by cross selling our comprehensive solutions to them, thus providing us with huge monetization opportunities. As of December 31, 2018, more than 14,000 mobile apps (including (i) 58 with DAUs over 9 million; (ii) 89 with DAUs over 1 million and up to 9 million; and (iii) 246 with DAUs over 50,000 and up to 1 million in December 2018) had registered with our user management SaaS platform, and our interactive advertising business had placed advertisements on 3,357 content distribution channels. We have recently extended our user management SaaS to serve offline businesses, serving 101 such businesses as of December 31, 2018. Our large business partner base also enables us to access a large pool of app user data, which further enhances the effectiveness of our solutions and monetization capability.

Our Advertising Effectiveness

Our interactive advertising business accounted for a majority of our total revenue during the Track Record Period. Our fast-growing interactive advertising business is mainly driven by our advertising effectiveness, enabling advertisers to expand their reach to targeted users and achieve a

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high conversion rate and rate of return of their advertising spending. Specifically, our advertising tools engage users through fun and interesting interactive activities, thereby directing them to the mobile internet page that our advertisers designate. We have also accumulated a significant amount of multi-dimensional user behavior data accumulated from different content distribution channels displaying our interactive advertisements. The massive data samples we have obtained, encompassing information ranging from behavioral preferences, social attributes, and areas of interest, enable us to further improve our ability to engage users and enhance the effectiveness of the advertisements that we placed. The click-through rate of our interactive advertising was 27.4% and 26.3% in 2017 and in 2018, respectively. Our advertising effectiveness contributed to more chargeable clicks and in turn, our revenue growth in our interactive advertising business during the Track Record Period.

Our Revenue Shared with Media Partners

During the Track Record Period, revenue shared with media partners was the largest cost of sales for our interactive advertising business. Our revenue shared with media partners increased at a much faster pace than the revenue from our interactive advertising business, resulting in our interactive advertising business' decreased gross profit margin of 81.7%, 36.4%, and 36.5%, in 2016, 2017 and 2018, respectively. The rapid increase in revenue shared with media partners during the Track Record Period was primarily due to the increasing use of top and medium apps sourced from media partners (primarily online publishers) to support our fast-growing interactive advertising business and to further enhance our advertising performance. These media partners generally demanded a higher percentage of revenue to be shared.

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 Chinese 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 year in which the Chinese New Year holidays fall, during which time businesses in China are generally closed. See "Risk Factors—Risks Relating to our Business and Industry—The results of our operations are subject to seasonal fluctuations" for the relevant risks.

Our Preferential Tax Treatment

Our income tax was affected by the preferential tax treatment enjoyed by certain of our PRC subsidiaries. Under the relevant PRC income tax law, during the Track Record Period our subsidiaries in China were subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for HZ Tuia, HZ Duiba and Khorgas Tuia. HZ Duiba and HZ Tuia meet the

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qualifications for Software Enterprises and are exempted from income tax for two years starting from the first year in which they generate taxable profit, followed by a 50% reduction for the next three years. 2017 was the first profitable year for HZ Duiba and HZ Tuia. In addition, HZ Duiba qualified as a High and New Technology Enterprise and was subject to a preferential income tax rate of 15% for 2016. Khorgas Tuia, established in the Khorgas Development Zone of the Xinjiang Autonomous Region on January 25, 2018, is exempt from income tax from the first year of operation for a five-year period according to the regulations set out by the local authorities. Khorgas Tuia's tax exemption period commenced in 2018.

Impact of Exchange Rates

The functional currency of our Company is the U.S. dollar, while that of our operating subsidiaries in the PRC is the Renminbi. As of the Latest Practicable Date, intercompany balances denominated in U.S. dollars amounting to US\$40 million was due from our PRC subsidiaries to our Company. In respect of such intercompany balances, in the event that the Renminbi appreciates against the U.S. dollar between two balance sheet dates, we would recognize an exchange gain in our consolidated statements of profit or loss for the relevant period, and vice versa. Our profitability in 2018 was affected by exchange rate changes. See “—Principal Components of Consolidated Statements of Profit or Loss—Other Expenses” for details. We expect that intercompany balances denominated in U.S. dollars will remain outstanding after the Listing, and as a result, our profitability will continue to be affected by fluctuations in USD:RMB exchange rates.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies and estimates that are significant to the preparation of our financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgment based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

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 2.4 and 3 to the Accountants' 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 judgments used in the preparation of our financial statements.

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Revenue Recognition

Revenue is measured based on the consideration to which our Group expects to be entitled in exchange for goods or services transferred to our customer. We recognize revenue when we transfer control over a product or service to the counterparty.

- (i) Revenue from interactive advertising services is recognized at a point in time when the services are rendered based on the consumption of prepayment from customers, except where we agreed to grant a volume rebate to a customer, in which case we would not recognize the entire amount of consumption in accordance with the accounting treatment of variable consideration. See Note 2.4 to the Accountants' Report included in Appendix I to this prospectus for details.
- (ii) Revenue from the charged user management SaaS solutions which we began to provide to customers in April 2018 is recognized over time when the services are rendered based on the deduction of prepayment from applications.
- (iii) Revenue from other services of our user management SaaS platform business, including revenue from processing fees charged for sourcing payment credits and cash rewards, is recognized at a point in time.
- (iv) Revenue from the sale of goods is recognized at a point in time, when the significant risks and rewards of ownership have been transferred to the buyer, provided that we maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Impairment of Non-Financial Assets (Other Than Goodwill)

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

Deferred Tax Assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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Provision for Expected Credit Losses on Trade Receivables

The Group uses a provision matrix to calculate expected credit losses for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Useful Lives and Residual Values of Property, Plant and Equipment

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

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

Financial Liabilities at Fair Value Through Profit or Loss

We designate certain redeemable preference shares as financial liabilities at fair value through profit and loss. Such redeemable preference shares were issued by HZ Duiba and our Company to investors who invested in our Group. After HZ Duiba became a wholly-owned subsidiary of our Company as part of the Reorganization, all the redeemable preference shares issued by HZ Duiba have been cancelled and as of December 31, 2018 and up to the Latest Practicable Date, the only redeemable preference shares outstanding were the Preferred Shares.

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The redeemable preference shares are initially recognized at fair value and the increases in fair value are recognized as fair value loss on the consolidated income statement. The financial liabilities at fair value through profit or loss have used the market approach or backsolve method when applicable to determine the underlying share value of the Company or HZ Duiba and adopted equity allocation model to determine the fair value of the preferred shares as of the dates of issuance and at the end of each reporting period. The fair value of the redeemable preference shares as of December 31, 2016, 2017 and 2018 was RMB126.1 million, RMB144.7 million and RMB1,151.4 million, respectively. See Notes 23 and 33 to the Accountants' Report included in Appendix I to this prospectus.

Application of HKFRS 9 and HKFRS 15

Effective for annual periods beginning on or after January 1, 2018, HKFRS 9 "Financial Instruments" replaced the previous standard HKAS 39 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" replaced the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. We have applied HKFRS 9 and HKFRS 15 to our financial statements beginning on January 1, 2018, and have consistently applied HKFRS 9 and HKFRS 15 to our financial statements in 2016, 2017 and 2018.

The impact of the adoption of HKFRS 9 on our financial statements in 2016, 2017 and 2018 is as follows. The classification and measurement of financial assets under HKFRS 9 depend on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. Our available-for-sale investments of RMB24.8 million, RMB224.9 million and RMB426.2 million as of December 31, 2016, 2017 and 2018 respectively, that were measured at fair value under HKAS 39 do not pass the contractual cash flow characteristics test in HKFRS 9 and are re-classified as financial assets at fair value through profit or loss.

The impact of the adoption of HKFRS 15 on our financial statements in 2016, 2017 and 2018 is as follows. Under HKFRS 15, we recognize performance obligations that we have not yet satisfied but for which we have received consideration or an amount of consideration is due from the customer as contract liabilities. By applying HKFRS 15, as of December 31, 2016, 2017 and 2018, we reclassified as contract liabilities for rebates from deferred revenue of nil, RMB27.5 million and RMB20.7 million, respectively.

Taking into account the impact disclosed above, we consider that the adoption of HKFRS 9 and HKFRS 15 did not have significant impact on our financial position and performance during the Track Record Period.

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PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth our summary consolidated statements of profit or loss for the periods indicated.

	Year ended December 31,					
	2016		2017		2018	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	<i>(in thousands of RMB, except percentage)</i>					
Revenue	51,138	100.0%	645,792	100%	1,137,032	100.0%
Cost of sales	<u>(11,102)</u>	<u>(21.7%)</u>	<u>(403,766)</u>	<u>(62.5%)</u>	<u>(708,119)</u>	<u>(62.3%)</u>
Gross profit	40,036	78.3%	242,026	37.5%	428,913	37.7%
Other income and gains	663	1.3%	3,260	0.5%	13,222	1.2%
Selling and distribution expenses . . .	(8,599)	(16.8%)	(46,026)	(7.1%)	(107,156)	(9.4%)
Administrative expenses	(37,517)	(73.4%)	(82,213)	(12.7%)	(173,554)	(15.3%)
Changes in fair value of financial liabilities at fair value through profit or loss	(84,255)	(164.8%)	(18,605)	(2.9%)	(453,592)	(39.9%)
Other expenses	—	—	(79)	0.0%	(1,139)	(0.1%)
Finance costs	—	—	—	—	(5,772)	(0.5%)
Profit/(loss) before tax	(89,672)	(175.4%)	98,363	15.2%	(299,078)	(26.3%)
Income tax (expense)/credit	<u>2,233</u>	<u>4.4%</u>	<u>(255)</u>	<u>0.0%</u>	<u>7,496</u>	<u>0.7%</u>
Profit/(loss) for the year	<u>(87,439)</u>	<u>(171.0%)</u>	<u>98,108</u>	<u>15.2%</u>	<u>(291,582)</u>	<u>(25.6%)</u>
Non-HKFRS Measure Adjusted profit/(loss) for the year⁽¹⁾	<u>(2,891)</u>	<u>(5.7%)</u>	<u>118,704</u>	<u>18.4%</u>	<u>205,217</u>	<u>18.0%</u>

Note:

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

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Revenue

During the Track Record Period, we generated revenue primarily from our user management SaaS platform business and our interactive advertising business. We also generated certain revenue from other businesses. Our revenue was RMB51.1 million, RMB645.8 million, and RMB1,137.0 million, respectively, in 2016, 2017 and 2018.

The following table sets forth a breakdown of our revenue by nature:

	Year ended December 31,					
	2016		2017		2018	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	<i>(in thousands of RMB, except percentatge)</i>					
User management SaaS platform business	4,456	8.7%	6,187	1.0%	13,661	1.2%
Interactive advertising business	46,682	91.3%	607,272	94.0%	1,110,108	97.6%
Others	—	—	32,333	5.0%	13,263	1.2%
Total	51,138	100.0%	645,792	100.0%	1,137,032	100.0%

During the Track Record Period, the revenue generated from our user management SaaS platform business primarily included (i) the sale of merchandise we sourced from third party vendors to our customers; and (ii) the service charge we received for sourcing mobile phone payment credits and for sourcing e-wallet cash rewards. Such merchandise, payment credits, and cash rewards were gifts available for redemption by mobile app users in the reward points programs of our customers. In April 2018, we started charging for our user management SaaS solutions on a pilot basis, and recorded revenue of RMB8.4 million in 2018. See “Business—Our Businesses—User Management SaaS Platform Business—Monetization of Our User Management SaaS Platform Business” for further details. The revenue from our user management SaaS platform business was RMB4.5 million, RMB6.2 million and RMB13.7 million, accounting for 8.7%, 1.0% and 1.2% of our total revenue in 2016, 2017 and 2018, respectively.

The revenue from our interactive advertising business primarily included fees charged for the advertising services and solutions we provided. The revenue from our interactive advertising business was RMB46.7 million, RMB607.3 million and RMB1,110.1 million, accounting for 91.3%, 94.0% and 97.6% of our total revenue in 2016, 2017 and 2018, respectively.

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Since 2016, the customers of our interactive advertising business have started to pay for our solutions under the CPC model under which they are charged only if viewers interacted with our advertising tools and were directed to the mobile internet page designated by the advertisers. Therefore, the revenue generated from our advertising solutions based on the CPC model is directly correlated to the number of chargeable clicks as well as the average revenue per chargeable click based on the CPC model. Since 2017, our interactive advertising revenue based on the CPC model has accounted for the majority of the revenue from the interactive advertising business.

The following table sets forth certain data related to our interactive advertising business based on the CPC model.

	Year ended December 31,		
	2016 ⁽¹⁾	2017	2018
Revenue from the interactive advertising business (in thousands of RMB)	46,682	607,272	1,110,108
of which:			
Under the CPC model (in thousands of RMB)	N/A	566,555	1,081,264
Others (in thousands of RMB)	N/A	40,717	28,844
Number of chargeable clicks under the CPC model (millions)	N/A	1,580.6	3,072.2
Average revenue per chargeable click under the CPC model (RMB)	N/A	0.36	0.35

Note:

(1) The performance indicators are those we consider relevant for the assessment of the operations of our interactive advertising business under the CPC model, which commenced in 2016. We also generated a small portion of our revenue from our interactive advertising business under a CPA model after we commenced the CPC pricing model. In 2017, we started to record revenue and chargeable clicks by the CPC, CPA or other models, separately, through our system upgrade when the interactive advertising revenue based on the CPC model accounted for the majority of the revenue from our interactive advertising business.

Our chargeable clicks under the CPC model increased significantly from 1,580.6 million in 2017 to 3,072.2 million in 2018 primarily due to the increased advertising page views from 6,765.2 million in 2017 to 14,523.8 million in 2018 mainly as a result of the growth in demand for our interactive advertising solutions and the continued expansion of our sales and marketing team and our operations team which serviced the fast-growing business. See “Financial Information—Period-To-Period Comparison of Results of Operations—Year Ended December 31, 2018 Compared to Year Ended December 31, 2017—Revenue”.

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Our average revenue per chargeable click under the CPC model decreased slightly from RMB0.36 in 2017 to RMB0.35 in 2018 primarily because we developed significantly more media partners for cooperation in 2018, resulting in a significant increase in the mobile app user traffic available on our interactive advertising platform. In addition, our media partners also became more diverse as we sought to provide customers with a wider range of content distribution channels. As a result, we were able to provide interactive advertising solutions to a broader range of advertisers, including those looking for lower CPC prices. Nonetheless, our effort to diversify our content distribution channels also made our interactive advertising business more competitive. Our revenue generated from the interactive advertising business under the CPC model increased by 90.8% from RMB566.6 million in 2017 to RMB1,081.3 million in 2018.

The revenue from others primarily included revenue from our discontinued businesses including (i) the sale of online tokens to play in our app of claw crane challenge; and (ii) the discontinued e-commerce business in which we sold to end customers products we sourced from third party vendors in 2017 only. The revenue from others was RMB32.3 million and RMB13.3 million, accounting for 5.0% and 1.2% of our total revenue in 2017 and 2018.

Cost of Sales

Our cost of sales consisted primarily of (i) revenue shared with media partners consisting of online publishers and media agents; (ii) cost of goods sold including the cost we incurred for the merchandise we procured for our discontinued e-commerce business and our user management SaaS platform business; (iii) service fees charged by vendors of mobile phone payment credits and service fees charged by e-wallet operators; and (iv) server and bandwidth expenses, including the server expenses incurred to support our overall business and the bandwidth expenses incurred for our discontinued app of claw crane challenge. In 2016, 2017 and 2018, our cost of sales was RMB11.1 million, RMB403.8 million and RMB708.1 million, accounting for 21.7%, 62.5% and 62.3% of our total revenue, respectively.

The following table sets forth a breakdown of our cost of sales for the periods indicated:

	Year ended December 31,					
	2016		2017		2018	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	<i>(in thousands of RMB, except percentages)</i>					
Revenue shared with media partners	7,845	15.3%	384,180	59.5%	699,589	61.5%
Cost of goods sold	—	—	15,958	2.5%	2,516	0.2%
Service fees	2,498	4.9%	1,352	0.2%	98	0.0%
Server and bandwidth expenses	759	1.5%	2,276	0.3%	5,916	0.5%
Total	<u>11,102</u>	<u>21.7%</u>	<u>403,766</u>	<u>62.5%</u>	<u>708,119</u>	<u>62.3%</u>

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Our revenue shared with media partners as a percentage of the revenue from our interactive advertising business was 16.8%, 63.3% and 63.0%, respectively, in 2016, 2017 and 2018. Such percentage increased from 2016 to 2017 primarily due to an increased proportion of user traffic sourced from our media partners as opposed to our user management SaaS platform. The average percentage of revenue we had to share with media partners remained relatively stable at 63.3% and 63.0%, respectively, in 2017 and 2018.

Gross Profit and Gross Profit Margin

Our gross profit was RMB40.0 million, RMB242.0 million and RMB428.9 million, respectively, in 2016, 2017 and 2018. Our gross profit margin was 78.3%, 37.5%, and 37.7%, respectively, in the same periods.

The following table sets forth a breakdown of our gross profit and gross profit margin by nature:

	Year ended December 31,					
	2016		2017		2018	
	Gross profit	Gross margin (%)	Gross profit	Gross margin (%)	Gross profit	Gross margin (%)
	<i>(in thousands of RMB, except percentages)</i>					
User management SaaS platform business	1,892	42.5%	2,772	44.8%	10,985	80.4%
Interactive advertising business	38,144	81.7%	221,045	36.4%	405,620	36.5%
Others	—	—	18,209	56.3%	12,308	92.8%
Total	<u>40,036</u>	<u>78.3%</u>	<u>242,026</u>	<u>37.5%</u>	<u>428,913</u>	<u>37.7%</u>

The gross profit margin of our user management SaaS platform business increased from 42.5% in 2016 and to 44.8% in 2017, and further increased to 80.4% in 2018 primarily because (i) an e-wallet operator lowered its processing fee; and (ii) we started charging for our user management SaaS solutions in April 2018.

The gross profit margin of our interactive advertising business decreased from 81.7% in 2016 to 36.4% in 2017, and remained stable at 36.5% in 2018. The decrease in our gross profit margin in 2017 was primarily due to the increased proportion of user traffic in top and medium apps we sourced from media partners so as to support our fast-growing interactive advertising business and further enhance the performance of our interactive advertising business. These media partners generally demanded a higher percentage of revenue to be shared. In addition, the proportion of user traffic from our user management SaaS platform continued to decrease in 2017. As a result of the foregoing, our revenue shared with media partners as a percentage of the revenue from our interactive advertising business was 16.8%, 63.3% and 63.0%, respectively, in 2016, 2017 and 2018.

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Other Income and Gains

Our other income and gains represent (i) exchange gain, (ii) bank interest income; (iii) government grants; (iv) others; (v) changes in fair value of financial assets at fair value through profit or loss; and (vi) investment income from financial assets at fair value through profit or loss.

Our government grants mainly relate to a number of one-off local government grants to encourage technology development, modern service business, high-tech enterprise and business start-ups by college graduates. There are no unfulfilled conditions or contingencies relating to these grants. Both changes in fair value of and investment income from financial assets at fair value through profit or loss relate to the fair value change and investment income from our investments in wealth management products as further discussed in “—Discussion of Certain Items from the Consolidated Statements of Financial Position—Financial Assets at Fair Value Through Profit or Loss”. Our other income and gains were RMB0.7 million, RMB3.3 million and RMB13.2 million, respectively, in 2016, 2017 and 2018.

The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended December 31,					
	2016		2017		2018	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	<i>(in thousands of RMB, except percentages)</i>					
Other income:						
Exchange gain	—	—	—	—	153	0.0%
Bank interest income	52	0.1%	112	0.0%	2,462	0.2%
Government grants	73	0.1%	616	0.1%	106	0.0%
Others	—	—	30	0.0%	352	0.0%
Gain:						
Changes in fair value of financial assets at fair value through profit or loss	149	0.3%	501	0.1%	2,128	0.2%
Investment income from financial assets at fair value through profit or loss	389	0.8%	2,001	0.3%	8,021	0.7%
Total	663	1.3%	3,260	0.5%	13,222	1.2%

Selling and Distribution Expenses

Our selling and distribution expenses consist of (i) salaries and welfare of our sales and marketing team; (ii) advertising expense; (iii) outsourcing service fee; (iv) office and related expenses such as rent, business development expense, service fee, meeting expense and phone charges; and (v) others. Our selling and distribution expenses were RMB8.6 million, RMB46.0 million and RMB107.2 million, respectively, in 2016, 2017 and 2018, accounting for 16.8%, 7.1%, and 9.4%, respectively, of our total revenue in the same periods.

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The following table sets forth the components of our selling and marketing expenses for the periods indicated:

	Year ended December 31,					
	2016		2017		2018	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	<i>(in thousands of RMB, except percentages)</i>					
Salaries and welfare	6,941	13.6%	31,449	4.9%	62,644	5.5%
Advertising expense	636	1.2%	2,157	0.3%	26,819	2.4%
Office and related expenses	1,022	2.0%	3,448	0.5%	10,294	0.9%
Outsourcing service fee	—	—	1,740	0.3%	6,309	0.6%
Others	—	—	7,232	1.1%	1,090	0.1%
Total	8,599	16.8%	46,026	7.1%	107,156	9.4%

During the Track Record Period, our outsourcing service fee primarily represented the expense we incurred in respect of outsourcing certain of our customer service functions. Specifically, we outsourced certain simple tasks such as answering queries arising from the day-to-day operations of our business given the small size of our customer service team. For example, we only had a team of approximately 19 staff members responsible for providing customer service as of December 31, 2018. By doing so, we believe we can save cost given that the demand for customer services has seasonal fluctuations, and hence it would be more efficient to use external suppliers to meet the increased demand during peak seasons, as compared to maintaining a relatively large internal workforce throughout the year.

Our selling and distribution expenses as a percentage of our total revenue decreased from 16.8% in 2016 to 7.1% in 2017, primarily because we benefited from the economies of scale achieved with our significant business growth which outpaced the increase in our selling and distribution expense. Our selling and distribution expenses as a percentage of our total revenue increased from 7.1% in 2017 to 9.4% in 2018 primarily because of (i) the increased advertising expenses we incurred as we expanded our business; and (ii) the increased salaries and welfare expenses.

Administrative Expenses

Our administrative expenses consist of (i) research and development expenses primarily comprising the salaries and welfare of our research and development staff; (ii) salaries and welfare of our management personnel; (iii) audit and consulting fee for auditors, counsel and business consultants; (iv) share-based payment to our employees; (v) office and other related expenses such as rent, meeting expenses, travel fee and professional parties fee; (vi) tax expenses such as city construction excise, education levy and stamp duty; (vii) listing expenses; (viii) depreciation and amortization of our office equipment and software; and (ix) others.

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Our administrative expenses were RMB37.5 million, RMB82.2 million and RMB173.6 million, respectively, in 2016, 2017 and 2018, accounting for 73.4%, 12.7% and 15.3%, respectively, of our total revenue in the same periods.

The following table sets forth the components of our administrative expenses for the periods indicated:

	Year ended December 31,					
	2016		2017		2018	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	<i>(in thousands of RMB, except percentages)</i>					
Research and development	27,606	54.0%	56,603	8.8%	88,835	7.8%
Salary and welfare	6,298	12.3%	15,900	2.5%	26,756	2.4%
Listing expenses	—	—	—	—	25,188	2.2%
Share-based payment	293	0.6%	1,991	0.3%	12,247	1.1%
Office expense and related expenses	1,696	3.3%	2,865	0.4%	7,685	0.7%
Audit and consulting fee	568	1.1%	869	0.1%	5,937	0.5%
Tax expense	447	0.9%	3,148	0.5%	3,414	0.3%
Depreciation and amortization	236	0.5%	574	0.1%	1,961	0.2%
Others	373	0.7%	263	0.0%	1,531	0.1%
Total	37,517	73.4%	82,213	12.7%	173,554	15.3%

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

We designate the redeemable preference shares we issued from time to time as financial liabilities at fair value through profit or loss. Changes in fair value of financial liabilities at fair value through profit or loss were RMB84.3 million, RMB18.6 million and RMB453.6 million, respectively, in 2016, 2017 and 2018. Prior to the Global Offering, the redeemable preference shares are not traded in an active market and the fair value at the respective reporting dates is determined using valuation techniques.

Immediately prior to the Share Subdivision and the Listing, all of our redeemable preference shares will be converted into Ordinary Shares. See “—Critical Accounting Policies and Estimates—Financial Liabilities at Fair Value Through Profit or Loss” above and Note 23 to the Accountants’ Report included in Appendix I to the prospectus for details of our financial liabilities at fair value through profit or loss.

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Other Expenses

In 2016, 2017 and 2018, we incurred other expenses of nil, RMB0.1 million and RMB1.1 million, respectively. In 2017, our other expenses primarily consisted of loss on disposal of fixed assets. In 2018, our other expenses primarily consisted of losses on disposal of fixed assets of RMB1.0 million.

Finance Costs

Our finance costs represent dividends on redeemable preference shares, which we recognize as financial liabilities at fair value through profit or loss. Our finance costs were RMB5.8 million in 2018.

Income Tax Expense/Credit

The following table sets forth a breakdown of our income tax expense/(credit) for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
	<i>(in thousands of RMB)</i>		
Current—Charged for the year	2	64	—
Deferred	<u>(2,235)</u>	<u>191</u>	<u>(7,496)</u>
Total	<u><u>(2,233)</u></u>	<u><u>255</u></u>	<u><u>(7,496)</u></u>

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability and is not subject to income tax in the Cayman Islands.

Our Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. Accordingly, during the Track Record Period, our income tax expenses and credits were related to our operations in China.

Under the relevant income tax law, during the Track Record Period our subsidiaries in China were subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for HZ Tuia, HZ Duiba and Khorgas Tuia. HZ Duiba and HZ Tuia meet the qualifications for Software Enterprises and are exempted from income tax for two years starting from the first year in which they generate taxable profit, followed by a 50% reduction for the next three years. 2017 was the first profitable year for each of HZ Duiba and HZ Tuia. In addition, HZ Duiba qualified as a High and New Technology Enterprise and was subject to a preferential income tax rate of 15% for 2016. Khorgas Tuia, established in the Khorgas Development Zone of the Xinjiang Uygur Autonomous Region on January 25, 2018, is exempt from income tax from the first year of operation for a five-year period according to the regulations set out by the local authorities. Khorgas Tuia's tax exemption period commenced in 2018.

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In 2017 and 2018, the effect of preferential lower tax rates to which we were entitled reduced our tax charge by RMB28.2 million and RMB14.0 million, respectively.

We had income tax credit of RMB2.2 million and RMB7.5 million in 2016 and 2018, respectively. We had income tax credit in 2016 and 2018 primarily because of the increases in our deferred tax assets we recognized in the same periods mainly as a result of our historical losses which we considered we can utilize in the future. See Note 11 to the Accountants' Report in Appendix I to this prospectus for further details.

As of the Latest Practicable Date, we had made all material tax filings and paid all material outstanding tax liabilities to the relevant tax authorities, and we are not aware of any outstanding or potential dispute with such tax authorities.

Profit/loss for the Year and Net Profit Margin

In 2016, we had loss for the year of RMB87.4 million. In 2017, we had profit for the year of RMB98.1 million. In 2018, we had loss for the year of RMB291.6 million. Our net profit margin was 15.2% in 2017.

Non-HKFRS Measure

To supplement our consolidated financial statements which are presented in accordance with HKFRSs, we also use a non-HKFRS measure, adjusted profit/(loss) for the year, as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that such non-HKFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted profit/(loss) for the year may not be comparable to similarly titled measures presented by other companies. The use of such non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation, or as substitute for analysis of, our results of operations or financial position as reported under HKFRSs. We defined adjusted profit/(loss) for the year as loss for the year adjusted by adding back share-based payment, listing expenses, changes in fair value of financial liabilities at fair value through profit or loss, and finance costs.

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

	Year ended December 31,		
	2016	2017	2018
	<i>(in thousands of RMB)</i>		
Profit (loss) for the year	(87,439)	98,108	(291,582)
<i>Add:</i>			
Share-based payment	293	1,991	12,247
Listing expenses	—	—	25,188
Changes in fair value of financial liabilities at fair value through profit or loss	84,255	18,605	453,592
Finance costs (<i>note</i>)	—	—	5,772
Adjusted profit/(loss) for the year	<u>(2,891)</u>	<u>118,704</u>	<u>205,217</u>

Note: During the Track Record Period, our finance costs represented dividends we paid to holders of our redeemable preference shares. Such expenses are not expected to recur after the conversion of the redeemable preference shares into Ordinary Shares which will take place immediately prior to the Share Subdivision and the Listing.

We turned around adjusted losses of RMB2.9 million in 2016 to an adjusted profit of RMB118.7 million in 2017 primarily because we launched our interactive advertising business in 2015, which businesses were still in the process of ramping up in 2016. Since 2017 our businesses have reached a larger scale. For example, in 2016, we launched our interactive advertising platform, through which the growth rate of our revenue far surpassed that of our selling and distribution expenses as well as administrative expenses and we started recorded net profit.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 76.1% from RMB645.8 million in 2017 to RMB1,137.0 million in 2018 primarily because of the 82.8% increase in the revenue from our interactive advertising business from RMB607.3 million in 2017 to RMB1,110.1 million in 2018. The increase was mainly due to the increased advertising page views from 6,765.2 million in 2017 to 14,523.8 million in 2018 mainly as a result of (i) the growth in demand for our interactive advertising; (ii) the increase in user traffic we sourced from a wider range of mobile apps, including top and medium apps; and (iii) the continued expansion of our sales and marketing team and our operations team, the staff number of which increased from 192 as of December 31, 2017 to 233 as of December 31, 2018, which serviced the fast-growing business by developing and promoting our interactive advertising solutions to both advertisers and publishers. In addition, the MAUs of our HTML5 interactive advertising pages increased from 107.6 million in 2017 to 284.7 million in 2018. We launched a number of initiatives in 2018 to improve our advertising performance. For example, in March 2018, we launched our crowd

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orientation advertising feature which, based on the historical behavior and attributes of users gathered by us, predicts users' behavior in engaging with advertising, thereby optimizing the efficacy of our advertising, and we continued to upgrade our DSP, SSP and advertising campaign system. The number of our chargeable clicks increased significantly from 1,850.9 million in 2017 to 3,819.9 million in 2018.

Our revenue from the user management SaaS platform business also increased from RMB6.2 million in 2017 to RMB13.7 million in 2018 mainly due to the revenue we generated from providing charged services amounting to RMB8.4 million in 2018. We began providing charged services in April 2018. The increase in revenue was partially offset by the decrease in the service charge received for sourcing e-wallet cash rewards mainly due to the changes in the preferences of mobile app users when redeeming their reward points.

Cost of sales

Our cost of sales increased by 75.4% from RMB403.8 million in 2017 to RMB708.1 million in 2018 primarily because of the 82.1% increase in revenue shared with media partners from RMB384.2 million in 2017 to RMB699.6 million in 2018 mainly due to the increased user traffic in top and medium apps sourced from media partners to support our fast growing interactive advertising business and to enhance our advertising performance.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 77.2% from RMB242.0 million in 2017 to RMB428.9 million in 2018. Our gross profit margin was 37.5% in 2017 and 37.7% in 2018.

Other income and gains

Our other income and gains increased significantly from RMB3.3 million in 2017 to RMB13.2 million in 2018 primarily due to the significant increases in (i) investment income from financial assets at fair value through profit or loss from RMB2.0 million in 2017 to RMB8.0 million in 2018; (ii) bank interest income from RMB0.1 million in 2017 to RMB2.5 million in 2018; and (iii) gains from changes in fair value of financial assets at fair value through profit or loss from RMB0.5 million in 2017 to RMB2.1 million in 2018. The increases were mainly due to (i) the increase in our investment in wealth management products during the period, reflecting our treasury management objective to improve return of our available capital; and (ii) the increase in our bank deposits.

Selling and distribution expenses

Our selling and distribution expenses increased significantly from RMB46.0 million in 2017 to RMB107.2 million in 2018 primarily because of (i) the 99.4% increase in our salaries and welfare expenses from RMB31.4 million in 2017 to RMB62.6 million in 2018, which was mainly due to the expansion of our sales and marketing team and partially due to the increased average compensation level in 2018; and (ii) the significant increase in our advertising expenses from RMB2.2 million in 2017 to RMB26.8 million in 2018 as we expanded our business.

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Administrative expenses

Our administrative expenses increased significantly from RMB82.2 million in 2017 to RMB173.6 million in 2018 primarily because of (i) a 56.9% increase in our research and development expenses from RMB56.6 million in 2017 to RMB88.8 million in 2018, which was mainly incurred through the additional headcount of our expanded research and development team, and the continued upgrade of our DSP, the SSP, and advertising campaign system; (ii) the listing expenses of RMB25.2 million we incurred in 2018; and (iii) the 68.6% increase in our salaries and welfare expenses from RMB15.9 million in 2017 to RMB26.8 million in 2018, which was mainly due to the expansion of our management personnel and partially due to the increased average compensation level in 2018.

Changes in fair value of financial liabilities at fair value through profit or loss

The loss we recognized from the change in fair value of financial liabilities at fair value through profit or loss increased from RMB18.6 million in 2017 to RMB453.6 million in 2018. The increase was primarily due to the significant increase in our business value.

Other expenses

Our other expenses increased from RMB79,000 in 2017 to RMB1.1 million in 2018. See “—Principal Components of Consolidated Statements of Profit or Loss—Other Expenses” for details.

Finance costs

We recognized finance costs of RMB5.8 million in 2018 (compared to nil in 2017) as a result of the dividends we paid to holders of our redeemable preference shares.

Income tax expense/credit

We had income tax credit of RMB7.5 million in 2018 primarily because of the pre-tax loss of certain PRC subsidiaries compared to income tax expense of RMB0.3 million in 2017.

Profit/Loss for the year

As a result of the foregoing, we had a loss for the period of RMB291.6 million in 2018, compared to a profit for the period of RMB98.1 million in 2017.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased significantly from RMB51.1 million in 2016 to RMB645.8 million in 2017 primarily because of the significant increase in revenue from our interactive advertising business from RMB46.7 million in 2016 to RMB607.3 million in 2017. The increase was mainly due to (i) increased advertising page views from 95.2 million in 2016 to 6,765.2 million in the same period in 2017 mainly as a result of (a) the growth in demand for our interactive advertising; (b) the increase in user traffic

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we sourced from a wider range of mobile apps, including top and medium apps; and (c) the continued expansion of our sales and marketing team which supported our acquisition of new customers and the continued expansion of our operations team, the staff number of which increased from 111 as of December 31, 2016 to 192 as of December 31, 2017, which serviced the fast-growing business by developing and promoting our interactive advertising solutions to both advertisers and publishers; and (ii) our further enhanced advertising performance utilizing a number of systems developed or further optimized in 2017. For example, in 2017, we promoted the use of SDK which enhanced our data analytics capability; launched our oCPC optimized bidding system which enhanced advertising effectiveness; and upgraded our user database which enhanced advertising performance utilizing the data we collected. The number of our chargeable clicks increased significantly from 30.8 million in 2016 to 1,850.9 million in 2017 and the MAUs of our HTML5 interactive advertising pages increased from 19.1 million in 2016 to 107.6 million in 2017.

The revenue from our user management SaaS platform business increased by 37.8% from RMB4.5 million in 2016 to RMB6.2 million in 2017 mainly due to the sale to our customers of merchandise of RMB2.4 million sourced from third party vendors, first made available for redemption in their reward points programs in 2017, partially offset by the decrease in the service charge we received for sourcing e-wallet cash rewards mainly due to the changes in the preferences of mobile app users when redeeming their reward points. The number of mobile apps registered with our user management SaaS platform increased from 4,648 as of December 31, 2016 to 10,711 as of the same date in 2017.

Cost of sales

Our cost of sales increased significantly from RMB11.1 million in 2016 to RMB403.8 million in 2017 primarily because of the significant increase in revenue shared with media partners from RMB7.8 million in 2016 to RMB384.2 million in 2017 mainly due to increased user traffic in top and medium apps we sourced from media partners to support our fast-growing interactive advertising business and to further enhance our advertising performance.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased significantly from RMB40.0 million in 2016 to RMB242.0 million in 2017. Our gross profit margin decreased from 78.3% in 2016 to 37.5% in 2017, primarily due to the decrease in the gross profit margin of our interactive advertising business from 81.7% in 2016 to 36.4% in 2017. The decrease was mainly due to an increased proportion of user traffic of top and medium apps we sourced from media partners which generally demanded higher cost.

Other income and gains

Our other income and gains increased significantly from RMB0.7 million in 2016 to RMB3.3 million in 2017 primarily due to (i) the increase in our investment income from financial assets at fair value through profit or loss from RMB0.4 million in 2016 to RMB2.0 million in 2017, which was

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mainly due to the increase in our investment in wealth management products during 2017 reflecting our treasury management objective to improve return of our available capital; and (ii) the increase in our government grant income from RMB73,000 in 2016 to RMB0.6 million in 2017 mainly due to our receipt of certain one-off local government grants to encourage technology development.

Selling and distribution expenses

Our selling and distribution expenses increased significantly from RMB8.6 million in 2016 to RMB46.0 million in 2017 primarily because of the significant increase in our salaries and welfare from RMB6.9 million in 2016 to RMB31.4 million in 2017, which was mainly due to the expansion of our sales and marketing team and partially due to the increased average compensation level in 2017.

Administrative expenses

Our administrative expenses increased significantly from RMB37.5 million in 2016 to RMB82.2 million in 2017 primarily because of (i) the increase in our research and development expenses from RMB27.6 million in 2016 to RMB56.6 million in 2017 for the expansion of our research and development team and the expenses incurred for the systems we developed or further optimized in 2017 to support our interactive advertising (for example, in 2017, we promoted the use of SDK which enhanced our data analytics capability; launched our oCPC optimized bidding system which enhanced advertising effectiveness; and upgraded our user database which enhanced advertising performance utilizing the data we collected); and (ii) the significant increase in our salaries and welfare expenses from RMB6.3 million in 2016 to RMB15.9 million in 2017, which was mainly due to the expansion of our management personnel.

Changes in fair value of financial liabilities at fair value through profit or loss

The loss we recognized from the changes in fair value of financial liabilities at fair value through profit or loss decreased from RMB84.3 million in 2016 to RMB18.6 million in 2017. The decrease was primarily due to the larger increase in our business value in 2016 than in 2017.

Other expenses

Our other expenses increased from nil in 2016 to RMB79,000 in 2017 primarily due to the loss on disposal of office furniture and others.

Income Tax Expense/Credit

We had income tax credit of RMB2.2 million in 2016 primarily due to the deferred tax asset recognized and pre-tax loss. We had income tax expense of RMB0.3 million in 2017 primarily due to the pre-tax profit of certain of our subsidiaries in China.

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Profit/loss for the year and net profit margin

As a result of the foregoing, we had loss for the year of RMB87.4 million in 2016 and we had profit for the year of RMB98.1 million in 2017. The net profit margin for 2017 was 15.2%.

DISCUSSION OF CERTAIN ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,			As of
	2016	2017	2018	February 28, 2019
	<i>(in thousands of RMB)</i>			<i>(unaudited)</i>
Current assets				
Inventories	—	188	—	—
Trade receivables	4,377	14,474	114,963	96,815
Prepayments, deposits and other receivables . . .	3,402	13,819	46,570	54,967
Financial assets at fair value through profit or loss	24,769	224,882	426,172	504,200
Due from a director.	12,659	11,888	—	—
Cash and cash equivalents.	<u>20,852</u>	<u>90,790</u>	<u>281,565</u>	<u>216,697</u>
Total current assets	<u>66,059</u>	<u>356,041</u>	<u>869,270</u>	<u>872,679</u>
Current liabilities				
Trade payables	4,915	93,087	63,209	64,515
Advances from customers, other payables and accruals	32,726	90,195	88,443	87,060
Tax payable.	—	—	—	417
Contract liabilities.	<u>—</u>	<u>27,522</u>	<u>20,657</u>	<u>16,257</u>
Total current liabilities	<u>37,641</u>	<u>210,804</u>	<u>172,309</u>	<u>168,249</u>
Net Current Assets	<u>28,418</u>	<u>145,237</u>	<u>696,961</u>	<u>704,430</u>

Trade Receivables

During the Track Record Period, our trade receivables mainly represented trade receivables from our interactive advertising customers which paid us on a CPA basis, and to which we granted a credit term of 30 to 60 days in general. Our trade receivables were RMB4.4 million, RMB14.5 million, and RMB115.0 million, respectively, as of December 31, 2016, 2017 and 2018.

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The following table sets forth a breakdown of our trade receivables as of the dates indicated.

	As of December 31,		
	2016	2017	2018
	<i>(in thousands of RMB)</i>		
Trade receivables	4,556	14,653	115,103
Less: impairment provision	(179)	(179)	(140)
Trade receivables—net	4,377	14,474	114,963

We generally require deposits from (i) customers of our user management SaaS platform business; and (ii) customers of our interactive advertising business which pay us on a CPC basis. We may occasionally grant credit of no more than 60 days to such customers, taking into account, among other factors, our assessment of their credit worthiness based on their financial position and past dealing experience with us.

Our trade receivables increased significantly from RMB4.4 million as of December 31, 2016 to RMB14.5 million as of the same date in 2017 primarily because of the significant increases in our trade receivables from our interactive advertising customers which paid us on a CPA basis, and which were in line with our business growth.

Our trade receivables increased significantly from RMB14.5 million as of December 31, 2017 to RMB115.0 million as of the same date in 2018 primarily because in the last two months of 2018, in order to fulfill the increasing demand from an e-commerce advertiser during the peak season, we granted this customer (under the CPC pricing model) a short-term credit term of 30 to 60 days.

The following table sets forth an ageing analysis of our trade receivables on the transaction date and net of provisions, as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	<i>(in thousands of RMB)</i>		
0 to 30 days	3,777	12,982	95,198
31 to 90 days	74	620	18,225
91 to 180 days	5	158	1,453
181 to 365 days	521	389	38
1 to 2 years	—	325	46
2 to 3 years	—	—	3
	4,377	14,474	114,963

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The following table sets forth an overdue profile of our trade receivables on the transaction date and net of provisions, as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	<i>(in thousands of RMB)</i>		
Neither past due nor impaired	3,777	13,416	113,125
Over 2 months past due	600	1,058	1,838
	4,377	14,474	114,963

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers with whom we have no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with our Group. Based on past experience, our Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Our provisions for impairment of trade receivables were RMB0.2 million, RMB0.2 million and RMB0.1 million as of December 31, 2016, 2017 and 2018, respectively.

Our senior management regularly reviews overdue balances, if any. We do not hold any collateral or other credit enhancements over our trade receivable balances and our trade receivables are non-interest-bearing. Our policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables, which requires the use of judgment and estimation. Provisions are applied to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. We closely review the trade receivable balance and any overdue balances on an ongoing basis and assess the collectability of overdue balances.

The following table sets forth our average trade receivables turnover days for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
Trade receivables turnover days⁽¹⁾	17.5	5.4	20.5

Note:

(1) Trade receivables turnover days are calculated based on the average balance of the opening and closing trade receivables in a period divided by revenue for the same period multiplied by 360 days in case of a year.

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Our trade receivables turnover days decreased from 17.5 days in 2016 to 5.4 days in 2017 primarily because over the Track Record Period, we increased the proportion of our sales to customers from whom we required payment in advance. Our trade receivables turnover days increased from 5.4 days in 2017 to 20.5 days in 2018 primarily because of the credit term of 30 to 60 days we granted to an e-commerce advertiser at the end of 2018. We may continue to grant credit of no more than 60 days to selected customers, taking into account, among other factors, our assessment of their credit worthiness based on their financial position and past dealing experience with us.

As of February 28, 2019, approximately RMB95.8 million or 83.3% of the outstanding balance of our trade receivables as of December 31, 2018 had been settled.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables represent (i) prepayments, namely advances to suppliers such as advances we provided to media partners; (ii) prepaid expenses such as the rent prepayment we made for leasing servers and properties; (iii) deposits and other receivables such as deposits for leased properties, the payment we made on behalf of our employees for their contributions to social insurance and housing provident funds, as well as the advances to employees for business purpose; and (iv) other current assets such as the input VAT payment from our sourcing of user traffic from our media partners. Our prepayments, deposits and other receivables were RMB3.4 million, RMB13.8 million and RMB46.6 million, respectively, as of December 31, 2016, 2017 and 2018.

The following table sets forth a breakdown of our prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,		
	2016	2017	2018
	<i>(in thousands of RMB)</i>		
Prepayments	2,438	10,680	43,085
Prepaid expenses	333	648	2,443
Deposits and other receivables	659	2,328	1,755
Other current assets	126	490	1,266
	3,556	14,146	48,549
Less:			
Prepaid expenses, non-current portion	81	—	1,353
Other receivables, non-current portion	73	327	626
	3,402	13,819	46,570

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Our prepayments, deposits and other receivables increased from RMB3.4 million as of December 31, 2016 to RMB13.8 million as of the same date in 2017 primarily because of (i) the increase in prepayments from RMB2.4 million as of December 31, 2016 to RMB10.7 million as of the same date in 2017 mainly due to the significant increases in our prepayments made to our media partners, which were in line with the significant growth of our interactive advertising business, and (ii) the increase in our deposits and other receivables from RMB0.7 million as of December 31, 2016 to RMB2.3 million as of the same date in 2017 mainly due to an increase in the amount of deposits we paid to an e-commerce marketing platform as part of the interactive advertising solutions we provide to our e-commerce customers.

Our prepayments, deposits and other receivables increased from RMB13.8 million as of December 31, 2017 to RMB46.6 million as of December 31, 2018 primarily because of the increase in prepayments from RMB10.7 million as of December 31, 2017 to RMB43.1 million as of December 31, 2018 mainly due to the significant increases in our prepayments made to our media partners in light of the significant growth of our interactive advertising business.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss represent the financial products in which we invested. These investments include certain low-risk wealth management products, bonds and funds issued by financial institutions in the PRC. The fair values of the investments either approximate to their carrying values, or, where available, were derived from quoted price in an active market. Our financial assets at fair value through profit or loss were RMB24.8 million, RMB224.9 million and RMB426.2 million as of December 31, 2016, 2017 and 2018, respectively. The increase in our investment in financial products was mainly due to our treasury management objective to improve returns on our available capital.

We have formulated policies for managing our investments in financial products. Specifically, under the policies, (i) we may purchase financial products to pursue returns and higher capital utilization using our available funds, to the extent permitted by government policies and subject to effective control of investment risk; (ii) the funds used for financial products investments shall not be taken from those set aside for our normal business operation or specific business plans; (iii) we shall not pledge any financial products we purchased; (iv) funds for financial product investments shall not commingle with other funds; (v) our Chairman is authorized to approve the operation of financial products investments within the amounts and term mandated by the Board of Directors; (vi) our finance department shall be responsible for the overall execution of our financial products investments, including risk assessment and review of the terms and conditions of the products; (vii) our audit department shall audit and supervise before, in the process of, and after making financial products investments; and (viii) our INEDs may inspect the our financial products investment and make suggestions.

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Due from a Director

Our due from a Director represents the loans granted to our Chairman which were interest-free and payable on demand. Our due from a director was RMB12.7million, RMB11.9 million and nil, respectively, as of December 31, 2016, 2017 and 2018. The Chairman settled the loan during the Track Record Period.

Cash and Cash Equivalents

Our cash and cash equivalents consist of our cash and bank balances and time deposits. Our cash and cash equivalents were RMB20.9 million, RMB90.8 million and RMB281.6 million, respectively, as of December 31, 2016, 2017 and 2018. All of our cash and cash equivalents were denominated in RMB, except as of December 31, 2018, we had cash and cash equivalents of RMB256.4 million denominated in RMB and RMB25.2 million denominated in USD. Our cash and cash equivalents of RMB25.2 million denominated in USD were mainly due to the proceeds we received from our investors in the Series C Investment in June 2018. The increases in our cash and cash equivalents were mainly due to the increases in our net cash flows from operating activities, and in case of December 31, 2018, mainly due to the proceeds we received from our investors in the Series C Investment in June 2018.

Inventories

During the Track Record Period, our inventories primarily represented the plush toys and accessories we acquired for our discontinued claw crane challenge app. Our inventories were RMB0.2 million as of December 31, 2017 and nil as of December 31, 2018.

Trade Payables

Our trade payables primarily represent payables to media partners for sourcing user traffic from content distribution channels. Our trade payables were RMB5.0 million, RMB93.1 million and RMB63.2 million as of December 31, 2016, 2017 and 2018, respectively. Our trade payables increased as of December 31, 2016 to the same date in 2017 primarily due to the increased user traffic in content distribution channels sourced from media partners to support the growth of our interactive advertising business. Our trade payables decreased from RMB93.1 million as of December 31, 2017 to RMB63.2 million as of December 31, 2018 primarily because of the higher level of user traffic in content distribution channels sourced from media partners in the year end in which we generally had higher level of trade payables to media partners than in the mid year mainly due to seasonality.

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The following table sets forth our average trade payables turnover days for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
Trade payables turnover days⁽¹⁾	79.7	43.7	39.7

Note:

(1) Trade payables turnover days are calculated based on the average balance of the opening and closing trade payables in a period divided by cost of sales for the same period multiplied by 360 days in case of a year.

In 2016, 2017 and 2018, our trade payables turnover days were 79.7 days, 43.7 days and 39.7 days, respectively. As our cost structure started to change with revenue shared with media partners making up an increasing proportion of our cost of sales starting from 2016, the fluctuations in our trade payables turnover days were primarily related to the length of the credit terms with our media partners.

As of February 28, 2019, approximately 78.1% of the outstanding balance of our trade payables as of December 31, 2018 had been settled.

Advances from Customers, Other Payables and Accruals

Advances from customers, other payables and accruals represent (i) advances from customers such as the advances provided by our interactive advertising customers which pay us on a CPC basis and advances provided by customers of our user management SaaS platform business; (ii) payroll payable which primarily included the unpaid amounts of social insurance and housing provident fund contributions; (iii) tax payables other than income tax such as output VAT and other value-added taxes; and (iv) other payables such as listing expenses payable and payables to vendors of mobile phone payment credits and payables to e-wallet operators which provide cash rewards. Our advances from customers, other payables and accruals were RMB32.7 million, RMB90.2 million and RMB88.4 million, respectively, as of December 31, 2016, 2017 and 2018.

The following table sets forth a breakdown of our advances from customers and other payables as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	<i>(in thousands of RMB)</i>		
Advances from customers	13,970	27,419	16,135
Payroll payables	15,405	38,509	61,567
Tax payables other than corporate income tax	2,088	17,795	2,283
Other payables	1,263	6,472	8,458
	<u>32,726</u>	<u>90,195</u>	<u>88,443</u>

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Our advances from customers, other payables and accruals increased from RMB32.7 million as of December 31, 2016 to RMB90.2 million as of the same date in 2017 primarily because of (i) the increase in our payroll payables from RMB15.4 million as of December 31, 2016 to RMB38.5 million as of the same date in 2017 mainly due to the increase in the number of our employees from 242 as of December 31, 2016 to 453 as of December 31, 2017, and partly due to the increased average compensation level; (ii) the increase in our other tax payables other than income tax from RMB2.1 million as of December 31, 2016 to RMB17.8 million as of the same date in 2017 mainly due to the increase in our output VAT which was in line with our business growth; and (iii) the increase in our advances from customers from RMB14.0 million as of December 31, 2016 to RMB27.4 million as of the same date in 2017 which was in line with the growth of our user management SaaS platform business and our interactive advertising business.

Our advances from customers, other payables and accruals decreased from RMB90.2 million as of December 31, 2017 to RMB88.4 million as of the same date in 2018. The decrease was primarily because of (i) the decrease in our advance from customers from RMB27.4 million as of December 31, 2017 to RMB16.1 million as of the same date in 2018 mainly because we granted a credit term of 30 to 60 days to an e-commerce advertiser in the last two months in 2018 and (ii) the decrease in our taxes payable other than corporate income tax from RMB17.8 million as of December 31, 2017 to RMB2.3 million as of the same date in 2018 mainly due to the timely collection of input tax invoices in 2018, which led to the decrease in our VAT payable. The decreases were partially offset by the increase in our payroll payable from RMB38.5 million as of December 31, 2017 to RMB61.6 million as of the same date in 2018 mainly due to the increase in the number of our employees from 453 as of December 31, 2017 to 610 as of the same date in 2018, and partly due to the increased average compensation level.

Our advances from customers and other payables are non-interest-bearing. During the Track Record Period, we did not default on any other payables and accruals that would have a material adverse effect on our financial position.

Contract Liabilities

Our contract liabilities primarily arise from our contract arrangement with certain advertising customers to whom we agreed to grant a volume rebate. In accordance with the accounting treatment of variable consideration, part of such customers' consumption would be recognized as contract liabilities. See Note 2.4 to the Accountants' Report included in Appendix I to this prospectus for details.

As of December 31, 2017, our contract liabilities consisted entirely of volume rebates liable to be paid to customers of our interactive advertising business. As of December 31, 2018, our contract liabilities consisted of (i) such volume rebates amounting to RMB14.8 million; and (ii) deferred revenue amounting to RMB5.8 million arising from the charged services of our user management SaaS platform business.

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Our contract liabilities decreased from RMB27.5 million as of December 31, 2017 to RMB20.7 million as of December 31, 2018 primarily because in 2018, we adjusted by reducing the volume rebate ratio, volume rebate as a percentage of our sales to interactive advertising customers, in light of the supply and demand of our interactive advertising services and our maintenance of profit margin. As a result, the aggregate amount of volume rebate, exclusive of taxes, we granted to advertising customers as a percentage of the total revenue generated from our interactive advertising business also decreased from 17.7% in 2017 to 14.1% in 2018.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have financed our capital expenditures and working capital requirements mainly through cash generated from our operating activities and capital injection from shareholders, and we do not intend to raise material external debt financing in the near future. In the future, we believe that our liquidity requirements will be satisfied by using a combination of cash flow generated from our operating activities, other funds raised from the capital markets from time to time and the proceeds from the Global Offering.

Cash Flows

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

	Year ended December 31,		
	2016	2017	2018
	<i>(in thousands of RMB)</i>		
Operating cash flows before movements in working capital . .	(5,309)	117,428	163,927
Net cash flows from (used in) operating activities	16,359	269,764	(7,423)
Net cash flows used in investing activities	(12,098)	(199,826)	(231,231)
Net cash flows from financing activities	—	—	403,550
Net foreign exchange difference	—	—	25,879
Net increase in cash and cash equivalents	4,261	69,938	164,896
Cash and cash equivalents at beginning of year	16,591	20,852	90,790
Cash and cash equivalents at end of the year	20,852	90,790	281,565

Net cash flows from operating activities

Cash inflows from operating activities consist primarily of (i) the advances provided by (a) our user management SaaS platform business customers and (b) interactive advertising customers which pay us on a CPC basis; and (ii) the proceeds we received from our interactive advertising customers which pay us on a CPA basis. Cash outflows from our operating activities consist primarily of the payment or prepayment made to online publishers and media agents, the payment for cost of merchandise, the service fee payment made to e-wallet operators, selling and marketing expenses, and other operating expenses. Our net cash flows from operating activities reflect our profit before income tax as adjusted for (i) non-cash or non-operating income and expenses, such as changes in fair value of financial liabilities at fair value through profit or loss, bank interest income, investment income

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from assets at fair value through profit or loss, depreciation, and equity-settled share award scheme expenses; (ii) changes in certain items of current assets such as trade receivables, and current liabilities such as trade payables; and (iii) the effects of changes in working capital items and income tax paid.

In 2018, we had net cash flows used in operating activities of RMB7.4 million, representing loss before tax of RMB299.1 million adjusted to reflect mainly changes in fair value of financial liabilities at fair value through profit or loss of RMB453.6 million and an increase in trade receivables of RMB101.1 million mainly because in the last two months of 2018, in order to fulfill the increasing demand from an e-commerce advertiser during the peak season, we granted this customer (under the CPC pricing model) a short-term credit term of 30 to 60 days.

In 2017, we had net cash flows from operating activities of RMB269.8 million, representing profit before tax of RMB98.4 million adjusted to reflect mainly (i) an increase in trade payables of RMB88.2 million mainly due to the increased user traffic in top and medium mobile apps sourced from media partners to support the growth of our interactive advertising business; and (ii) an increase in advances from customers, other payables and accruals of RMB57.5 million mainly due to (a) the increase in our payroll payables mainly due to the increase in our employees and partly due to the increased average compensation level; (b) the increase in our other tax payables other than income tax mainly due to the increase in our output VAT which was in line with our business growth; and (c) the increase in our advance from customers which was in line with the growth of our user management SaaS platform business and our interactive advertising business.

In 2016, we had net cash flows from operating activities of RMB16.4 million, representing loss before tax of RMB89.7 million adjusted to reflect mainly (i) changes in fair value of financial liabilities at fair value through profit or loss of RMB84.3 million; and (ii) an increase in advances from customers, other payables and accruals of RMB23.4 million mainly due to (a) the increase in our advances from customers which was in line with the growth of our user management SaaS platform business and our interactive advertising business; and (b) the increase in our payroll payable mainly due to the increase in our employees and partly due to the increased average compensation level.

Net cash flows used in investing activities

We derive our cash inflows from investing activities, primarily from proceeds from disposal of financial assets at fair value through profit or loss. Our net cash used in investing activities principally reflects our cash used on purchases of financial assets at fair value through profit or loss and increase in pledged time deposits.

In 2018, we had net cash flows used in investing activities of RMB231.2 million primarily due to the purchase of financial assets at fair value through profit or loss of RMB1,564.0 million, partially offset by the proceeds from disposal of financial assets at fair value through profit or loss of RMB1,372.9 million.

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In 2016 and 2017, we had net cash flows used in investing activities of RMB12.1 million and RMB199.8 million, primarily representing the cash we used in the net purchases of financial assets at fair value through profit or loss, partially offset by the proceeds from disposal of financial assets at fair value through profit or loss of RMB36.4 million and RMB180.8 million in the 2016 and 2017, respectively.

Net cash flows from financing activities

We derive our cash inflows from financing activities primarily from proceeds from issue of redeemable preference shares and proceeds from issue of shares. Our net cash used in financing activities principally reflects our cash used on dividend paid to the then shareholders and repurchase of shares.

In 2018, we had net cash flows from financing activities of RMB403.6 million primarily because of the proceeds from issue of redeemable preference shares of RMB712.0 million, partially offset by repurchase of shares of RMB225.9 million.

Working Capital

Our net current assets increased from RMB145.2 million as of December 31, 2017 to RMB697.0 million as of the same date in 2018 primarily because of (i) the significant increase in our cash and cash equivalents from RMB90.8 million as of December 31, 2017 to RMB281.6 million as of the same date in 2018 mainly due to the proceeds we received from our investors in the Series C Investment in May 2018; and (ii) the increase in our financial assets at fair value through profit or loss from RMB224.9 million as of December 31, 2017 to RMB426.2 million as of the same date in 2018 mainly due to our objective to achieve higher yields on our available capital.

Our net current assets increased from RMB28.4 million as of December 31, 2016 to RMB145.2 million as of the same date in 2017 primarily because of (i) the significant increase in our financial assets at fair value through profit or loss from RMB24.8 million as of December 31, 2016 to RMB224.9 million as of the same date in 2017 mainly due to our objective to achieve higher yields on our available capital; and (ii) the significant increase in our cash and cash equivalents from RMB20.9 million as of December 31, 2016 to RMB90.8 million as of the same date in 2017 mainly due to the increases in our net cash flows from operating activities.

During the Track Record Period, we met our working capital needs mainly from our cash and cash generated from operations and shareholders' contributions. We manage our cash flow and working capital by closely monitoring and managing our operations. We also diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations. We generally maintained a stable working capital position during the Track Record Period.

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Taking into consideration the financial resources presently available to us, including the expected cash generated from our operations and the estimated net proceeds from the Global Offering, our Directors are of the opinion that we have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this prospectus.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures consist primarily of expenditures on the additions to property, plant and equipment, including renovation of office space and purchases of computers and other office equipment. In 2016, 2017 and 2018, our capital expenditures were RMB1.9 million, RMB2.9 million and RMB9.4 million, respectively.

Operating Lease Commitments

We lease office properties under non-cancellable operating lease agreements with lease terms between one and two years. The following table sets forth our future aggregate minimum lease payments under non-cancellable operating leases as of the dates indicated.

	As of December 31,		
	2016	2017	2018
	<i>(in thousands of RMB)</i>		
Within one year	1,046	3,194	6,088
In the second to fifth years, inclusive	<u>175</u>	<u>2,138</u>	<u>2,787</u>
	<u>1,221</u>	<u>5,332</u>	<u>8,875</u>

Capital Commitments

Other than the operating lease commitments disclosed above, we had no capital commitment as of December 31, 2016 and 2017. As of December 31, 2018, we had capital commitments of RMB1.1 million in relation to leasehold improvement which we had contracted but not provided for.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

INDEBTEDNESS

We did not have any bank loans or other borrowings, or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire

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purchases or finance lease commitments, guarantees or other material contingent liabilities as of February 28, 2019, being the latest practicable date for this indebtedness statement. As of February 28, 2019, we did not have any unutilized banking facilities. Our Directors confirm that there has not been any material change in our indebtedness since February 28, 2019.

Financial Liabilities at Fair Value Through Profit or Loss

We designate the redeemable preference shares we issued from time to time as financial liabilities at fair value through profit or loss. As of December 31, 2016, 2017 and 2018, such redeemable preference shares had fair value of RMB126.1 million, RMB144.7 million and RMB1,151.4 million, respectively. See “—Critical Accounting Policies and Estimates—Financial Liabilities at Fair Value Through Profit or Loss” above and Note 23 to the Accountants’ Report included in Appendix I to this prospectus for details of our financial liabilities at fair value through profit or loss. Since December 31, 2018 and up to the Latest Practicable Date, we had not issued or repurchased any redeemable preference shares.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities.

KEY FINANCIAL RATIOS

	As of and for the year ended		
	December 31,		
	2016	2017	2018
Profitability ratios			
Gross profit margin ⁽¹⁾	78.3%	37.5%	37.7%
Net profit margin ⁽²⁾	—	15.2%	—
Adjusted net profit margin ⁽³⁾	—	18.4%	18.0%

Notes:

- (1) The calculation of gross profit margin is based on gross profit for the year divided by revenue for the respective year and multiplied by 100%.
- (2) The calculation of net profit margin is based on profit for the year divided by revenue for the respective year and multiplied by 100%.
- (3) Adjusted net margin equals adjusted profit/(loss) for the year (see “—Non-HKFRS Measure”) divided by revenue and multiplied by 100%.

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RELATED PARTY TRANSACTIONS

During the Track Record Period, we did not enter into any transactions with our related parties except for due from our Chairman. See “—Discussion of Certain Items from the Consolidated Statements of Financial Position—Due from a Director” for details.

FINANCIAL RISKS MANAGEMENT

Our Group’s principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for our Group’s operations. Our Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from our Group’s financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Foreign Currency Risk

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

The following table demonstrates the sensitivity at the end of each of the Track Record Periods to a reasonably possible change in the USD exchange rate, with all other variables held constant, of our Group’s profit before tax (due to changes in the fair values of monetary assets and liabilities) and our Group’s equity.

	<u>Increase/ (decrease) in rate of foreign currency</u>	<u>Increase/ (decrease) in profit/(loss) before tax</u>	<u>Increase/ (decrease) in equity</u>
	%	<i>(in thousands of RMB)</i>	
Years ended December 31, 2016			
If RMB weakens against USD	—	—	—
If RMB strengthens against USD	—	—	—
Years ended December 31, 2017			
If RMB weakens against USD	—	—	—
If RMB strengthens against USD	—	—	—
Years ended December 31, 2018			
If RMB weakens against USD	5	(2,000)	(16,070)
If RMB strengthens against USD	(5)	2,000	16,070

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Credit Risk

Our Group trades only with recognized and creditworthy third parties. Receivable balances are monitored on an ongoing basis and our Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, our Group does not offer credit terms without the specific approval of the executive directors.

The credit risk of our Group's other financial assets, which comprise cash and cash equivalents, amount due from directors, trade receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

To manage risk arising from trade receivables, our Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to customers is usually no more than 60 days and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. Our Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected loss allowance provision for these balances was not material during the Relevant Periods. In view of the sound collection history of receivables, the management believes that the credit risk inherent in our Group's outstanding trade receivable balances is not significant.

For due from directors and other receivables, management makes periodic collective assessments as well as individual assessments on the recoverability of other receivables based on historical settlement records and past experiences. As of December 31, 2016, 2017 and 2018, the credit rating of other receivables and the amount due from a director were performing. Our Group assessed that the expected credit losses for these receivables and the amount due from a director were not material under the 12 months expected losses method. In view of the history of cooperation with debtors and the sound collection history of receivables, management believes that the credit risk inherent in our Group's outstanding other receivable balances and the amount due from a director was not significant.

Liquidity risk

Our Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings to meet its working capital requirements.

FINANCIAL INFORMATION

The maturity profile of our Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	December 31, 2016					Total
	On demand	Less than 1 month	1 to 12 months	1 to 3 years	Over 3 years	
	<i>(in thousands of RMB)</i>					
Trade payables	21	4,894	—	—	—	4,915
Financial liabilities at fair value through profit or loss	—	—	—	88,304	37,771	126,075
Financial liabilities included in advances from customers, other payables and accruals	<u>1,263</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,263</u>
	<u>1,284</u>	<u>4,894</u>	<u>—</u>	<u>88,304</u>	<u>37,771</u>	<u>132,253</u>
	December 31, 2017					
	On demand	Less than 1 month	1 to 12 months	1 to 3 years	Over 3 years	Total
	<i>(in thousands of RMB)</i>					
Trade payables	32,208	60,879	—	—	—	93,087
Financial liabilities at fair value through profit or loss	—	—	—	144,680	—	144,680
Financial liabilities included in advances from customers, other payables and accruals	<u>6,472</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,472</u>
	<u>38,680</u>	<u>60,879</u>	<u>—</u>	<u>144,680</u>	<u>—</u>	<u>244,239</u>
	December 31, 2018					
	On demand	Less than 1 month	1 to 12 months	1 to 3 years	Over 3 years	Total
	<i>(in thousands of RMB)</i>					
Trade payables	18,128	45,081	—	—	—	63,209
Financial liabilities at fair value through profit or loss	—	—	—	1,151,391	—	1,151,391
Financial liabilities included in advances from customers, other payables and accruals	<u>8,458</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,458</u>
	<u>26,586</u>	<u>45,081</u>	<u>—</u>	<u>1,151,391</u>	<u>—</u>	<u>1,223,058</u>

FINANCIAL INFORMATION

LISTING EXPENSES

The total listing expenses in connection with the Global Offering (including underwriting commission) were currently estimated to be approximately HK\$80.0 million (or approximately HK\$48.7 million after excluding underwriting commission of approximately HK\$31.3 million), assuming the Over-Allotment Option is not exercised and based on the mid-point of the indicative offer price range.

Listing expenses of approximately RMB25.2 million had been incurred as of December 31, 2018. Listing expenses of approximately RMB43.4 million are expected to be incurred after December 31, 2018, of which approximately RMB13.2 million is expected to be charged to profit and loss in the year ending December 31, 2019 and the remaining approximately RMB30.2 million is expected to be charged against equity upon successful Listing under relevant accounting standards.

DIVIDEND

During Track Record Period, we did not declare or pay any dividend to holders of Ordinary Shares and Preferred Shares except for the cash dividend of RMB24.0 million HZ Duiba declared in March 2018 and paid in March and April 2018.

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

We expect that the accumulated losses as of December 31, 2018, mainly as a result of the changes in fair value of redeemable preference shares, will not affect our Company's ability to declare and pay dividends upon and immediately after the Listing because according to the Articles and the Cayman Companies Law, our Company may declare and pay dividends from our share premium. As of December 31, 2018, our Company had distributable reserves of US\$66.5 million.

We currently intend to declare and pay dividends on an annual basis of no less than 30% of our adjusted profit (namely, our profit for the year, adding back share based payment, listing expenses, changes in fair value of financial liabilities at fair value through profit or loss, and finance costs) for the year ended December 31, 2018 and for the years ending December 31, 2019 and 2020, but subject to the aforementioned factors and conditions in respect of our dividend declaration by our Board. As of the Latest Practicable Date, we have not declared or paid any dividend in respect of our share premium and adjusted profit for the year ended December 31, 2018, and we will issue an announcement once we declare any dividend after our Listing. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the listing of the Shares on the Hong Kong Stock Exchange.

DISTRIBUTABLE RESERVES

As of December 31, 2018, our Company had distributable reserves of US\$66.5 million.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of our Group have been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants, for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2018 as if Global Offering had taken place on December 31, 2018.

The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of December 31, 2018 or any future date.

	Consolidated net tangible liabilities attributable to owners of the Company as at December 31, 2018	Estimated net proceeds from the Global Offering	Estimated impact related to the change of terms of Preferred Shares upon Listing	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	<i>(RMB'000)</i> <i>(Note 1)</i>	<i>(RMB'000)</i> <i>(Note 2)</i>	<i>(RMB'000)</i> <i>(Note 3)</i>	<i>(RMB'000)</i>	<i>(RMB)</i> <i>(Note 4)</i>	<i>(HK\$)</i> <i>equivalent</i> <i>(Note 5)</i>
Based on Offer price of HK\$6.00 per Share	(432,892)	531,859	1,151,391	1,250,358	1.13	1.31
Based on Offer price of HK\$8.10 per Share	(432,892)	723,798	1,151,391	1,442,297	1.30	1.51

FINANCIAL INFORMATION

Notes:

- (1) The figure for consolidated net tangible liabilities attributable to owners of the Company as at December 31, 2018 is arrived at after deducting intangible assets of RMB894,000 from the consolidated net liabilities attributable to owners of the Company of RMB431,998,000 as of December 31, 2018, as shown in the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are calculated based on the offer price of HK\$6.00 per Share or HK\$8.10 per Share, these being the low-end price and high-end price respectively, after deduction of the underwriting fees and related expenses payable by the Company (excluding listing expenses of RMB25,188,000 charged to profit or loss during the Track Record Period) and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option.
- (3) Upon the Listing and the completion of the Global Offering, all the Preferred Shares will be converted into Ordinary Shares. The Preferred Shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to the owners of the Company will be increased by RMB1,151,391,000, being the carrying amount of the Preferred Shares as of December 31, 2018.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share are calculated based on 1,111,111,200 Shares in issue (including the completion of the conversion of Preferred Shares into Ordinary Shares and the completion of the Share Subdivision) assuming that the Global Offering has been completed on December 31, 2018 without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased under the general mandates for the allotment and issue or repurchase of the Shares as described in "Statutory and General Information—About our Company—3. Resolutions of the Shareholders passed on April 17, 2019" in Appendix IV to this prospectus.
- (5) The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.8569 to HK\$1.00.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in our financial and trading positions or prospects since December 31, 2018, this being the end of the period reported on in the Accountants' Report set out in Appendix I to this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), XL Holding and Mr. Chen Xiaoliang, our Controlling Shareholders, will be interested in an aggregate of 40.91% of the issued share capital of our Company. XL Holding is wholly-owned by Blissful Plus, which is in turn held by Antopex Limited as nominee for CMB Wing Lung (Trustee) Limited, the trustee of the Chen's Family Trust, which was set up by Mr. Chen Xiaoliang.

Mr. Chen Xiaoliang is the founder of our Group, the Chairman, CEO and one of our executive Directors. For further background of Mr. Chen Xiaoliang, see "Directors and Senior Management" in this prospectus.

Competition

Each of our Controlling Shareholders 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 CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the Listing.

Management Independence

Our Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Mr. Chen Xiaoliang, the founder of our Group and one of our Controlling Shareholders, is one of our executive Directors.

Each of our Directors is aware of his fiduciary duties as a director of our Company which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. 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 towards the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates following the completion of the Global Offering.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational Independence

We have sufficient capital, facilities, premises and employees to operate our business independently from our Controlling Shareholders and their close associates. We also have independent access to our customers and suppliers and an independent management team, including an organizational structure made of individual departments, each with specific areas of responsibilities, to operate our business. Our Group has also established a set of internal controls procedures to facilitate the effective operation of our business.

During the Track Record Period, we did not enter into any transactions with our related parties except for a director loan and such amount due from director has been settled as of the Latest Practicable Date. See “—Discussion of Certain Items from the Consolidated Statements of Financial Position—Due from a Director” and Note 32(a) to the Accountants’ Report set out in Appendix I to this prospectus. None of the historical related party transactions with connected persons (as defined in the Listing Rules) are expected to continue after the Listing.

Accordingly, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their respective close associates.

Financial Independence

We have an independent internal control and accounting system. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders and their respective close associates.

We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders or their respective close associates in our favor or vice versa (as the case may be) upon the Listing. We have engaged an independent internal control consultant, which is part of an international audit firm, to assist us in putting in place controls in relation to transactions with connected persons and their associates to ensure that any advances to or from such persons are in compliance with the Listing Rules.

Having considered that our future operations are not expected to be financed by our Controlling Shareholders or their respective close associates and we are capable of obtaining financing from external source without reliance on our Controlling Shareholders, thus, we believe we are financially independent of our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) we have established internal control mechanisms to identify connected transactions. Upon the Listing, if we enter into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (b) our Company has appointed three INEDs to ensure the effective exercise of independent judgments on the decision-making process of our Board and provide independent advice to our Shareholders;
- (c) our INEDs will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders ("**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the INEDs for the Annual Review;
- (e) we will disclose decisions on matters reviewed by the INEDs either in our annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our expenses; and
- (g) we have appointed Sinolink Securities (Hong Kong) Company Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between us and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to (but after the Share Subdivision) and following the completion of the Global Offering:

Authorized share capital

	US\$
5,000,000,000 Shares of US\$0.00001 each	50,000

Issued and to be issued, fully paid or credited as fully paid, immediately upon completion of the Global Offering

Assuming the Over-allotment Option is not exercised (and without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), the issued share capital of our Company immediately following the completion of the Global Offering will be as follows:

	US\$
69,040,800 Ordinary Shares in issue at the Latest Practicable Date	6,904.08
<u>30,959,200</u> Ordinary Shares to be converted from the issued Preferred Shares	<u>3,095.92</u>
100,000,000 Ordinary Shares in issue prior to the Share Subdivision	10,000.00
1,000,000,000 Shares in issue following the Share Subdivision	10,000.00
<u>111,111,200</u> Shares to be issued pursuant to the Global Offering	<u>1,111.11</u>
<u><u>1,111,111,200</u></u> Shares in total	<u><u>11,111.11</u></u>

Assuming the Over-allotment Option is exercised in full (and without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), the issued share capital of our Company immediately following the completion of the Global Offering will be as follows:

	US\$
69,040,800 Ordinary Shares in issue at the Latest Practicable Date	6,904.08
<u>30,959,200</u> Ordinary Shares to be converted from the issued Preferred Shares	<u>3,095.92</u>
100,000,000 Ordinary Shares in issue prior to the Share Subdivision	10,000.00
1,000,000,000 Shares in issue following the Share Subdivision	10,000.00
111,111,200 Shares to be issued pursuant to the Global Offering	1,111.11
<u>16,666,400</u> Shares to be issued pursuant to the exercise of the Over-allotment Option in full	<u>166.66</u>
<u><u>1,127,777,600</u></u> Shares in total	<u><u>11,277.77</u></u>

SHARE CAPITAL

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional and 111,111,200 Shares are issued pursuant to the Global Offering before the exercise of the Over-allotment Option. The above table also does not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Upon the Listing, our Company will only have only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Law and the terms of our Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase our capital, (ii) consolidate and divide our capital into shares of larger amount, (iii) divide our shares into several classes, (iv) subdivide our shares into shares of smaller amount, and (v) cancel any shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Law, reduce our share capital or capital redemption reserve by our shareholders passing a special resolution. See “Summary of the Constitution of Our Company and Cayman Companies Law—Articles of Association—Alteration of capital” in Appendix IV to this prospectus for further details.

SHARE OPTION SCHEME AND THE DUIBA SHARE AWARD SCHEME

We have adopted the Share Option Scheme and the Duiba Share Award Scheme. See “Statutory and General Information—Share Option Scheme and the Duiba Share Award Scheme” in Appendix IV to this prospectus for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), and

SHARE CAPITAL

- the aggregate nominal value of Shares repurchased by us under the authority referred to in “—General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company,
- the date by which the next annual general meeting our Company is required by the Articles of Association, the Cayman Companies Law, or any other applicable Cayman Islands law to be held, or
- the date on which an ordinary resolution is passed by the Shareholders revoking or varying the authority given to our Directors.

See “Statutory and General Information—About Our Company—5. Repurchase by our Company of our own securities” in Appendix IV to this prospectus for further details of this general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

The repurchase mandate only relates to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Statutory and General Information—About Our Company—5. Repurchase by our Company of our own securities” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company,
- the date by which the next annual general meeting our Company is required by the Articles of Association, the Cayman Companies Law, or any other applicable Cayman Islands law to be held, or
- the date on which an ordinary resolution is passed by the Shareholders revoking or varying the authority given to our Directors.

See “Statutory and General Information—About Our Company—5. Repurchase by our Company of our own securities” in Appendix IV to this prospectus for further details.

SUBSTANTIAL SHAREHOLDERS

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

So far as our Directors are aware, immediately following the completion of the Global Offering (but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, 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 members of our Group (other than our Company):

Name of Shareholder	Nature of interest	Number of securities held ⁽¹⁾	Approximate shareholding percentage (%)
CMB Wing Lung (Trustee) Limited ⁽²⁾	Trustee of a trust	454,552,000 Shares (L)	40.91%
Antopex Limited ⁽²⁾	Nominee for another persons	454,552,000 Shares (L)	40.91%
Blissful Plus ⁽²⁾	Interest in a controlled corporation	454,552,000 Shares (L)	40.91%
XL Holding ⁽²⁾	Beneficial owner	454,552,000 Shares (L)	40.91%
Mr. Chen Xiaoliang ⁽³⁾	Founder of a discretionary trust, interest of controlled corporations	542,609,100 Shares (L)	48.83%
Duiba ESOP Co. ⁽⁴⁾	Beneficial owner	68,057,100 Shares (L)	6.13%
Rising Union Limited ⁽⁵⁾	Beneficial owner	133,000,000 Shares (L)	11.97%
Xinran Group Holding Limited ⁽⁶⁾	Beneficial owner	73,055,700 Shares (L)	6.58%
Liu Yang ⁽⁷⁾	Interest of a controlled corporation	73,055,700 Shares (L)	6.58%
TPG Growth IV SF Pte. Ltd. ⁽⁸⁾	Beneficial owner	57,000,000 Shares (L)	5.13%

Notes:

(1) The letters “L” and “S” denote respectively the “long position” and “short position” (as defined under Part XV of the SFO) of the relevant person / entity in such Shares.

SUBSTANTIAL SHAREHOLDERS

- (2) CMB Wing Lung (Trustee) Limited (as trustee of the Chen's Family Trust) holds the entire issued share capital of XL Holding through Antopex Limited (as nominee for CMB Wing Lung (Trustee) Limited) and Blissful Plus. Blissful Plus in turn holds the entire issued share capital of XL Holding. The Chen's Family Trust is a discretionary trust established by Mr. Chen Xiaoliang (as settlor) and its discretionary objects are Mr. Chen Xiaoliang and his family members. Accordingly, each of Mr. Chen Xiaoliang, CMB Wing Lung (Trustee) Limited, Antopex Limited and Blissful Plus is deemed to be interested in the 454,552,000 Shares held by XL Holding.
- (3) As disclosed in note (2), XL Holding is 100% owned by Blissful Plus, and accordingly Mr. Chen Xiaoliang is deemed to be interested in the 454,552,000 Shares directly held by XL Holding. As disclosed in note (4), Mr. Chen Xiaoliang is the sole director of Duiba ESOP Co., and he is also deemed to be interested in the 68,057,100 Shares held by Duiba ESOP Co.. Further, the ESAS Trustee is wholly-owned by Mr. Chen Xiaoliang, and accordingly Mr. Chen Xiaoliang is also deemed to be interested in the 20,000,000 Shares held by the ESAS Trustee.
- (4) Duiba ESOP Co. is a company incorporated in the BVI and owned by certain employees of our Group. Among other shareholders, it is owned as to, (i) 21.5% by Mr. Chen Xiaoliang, our Chairman, CEO and an executive Director, (ii) 7.9% by Mr. Zhu Jiangbo, an executive Director, (iii) 2.8% by each of Mr. Ding Chen, Mr. Huang Huiquan and Mr. Lyu Bin, our senior management members, and (iv) 0.6% by Mr. Yi Bingmin, one of our senior management members. Mr. Chen Xiaoliang is the sole director of Duiba ESOP Co..
- (5) Rising Union Limited is a limited liability company incorporated in the BVI. It is owned as to (i) 93% by Orchid Asia VII, L.P. ("OA7"), and (ii) 7% by Orchid Asia VII Co-Investment, Limited ("OA-Co"). OA7 is principally engaged in equity investments in private companies and OA-Co is an entity incorporated to invest alongside with OA7. Mr. Huang Tao, our non-executive Director, is the managing director of Orchid Asia Group Management, Limited.
- (6) Xinran Group Holding Limited is a company incorporated in the BVI and wholly owned by Liu Yang. For a period up to April 7, 2018, Liu Yang was a director of HZ Duiba, a subsidiary of our Company.
- (7) As disclosed in note (6), Xinran Group Holding Limited is wholly owned by Liu Yang and accordingly, Liu Yang is deemed to be interested in all the 73,055,700 Shares held by Xinran Group Holding Limited.
- (8) TPG Growth IV SF Pte. Ltd. is a limited liability company incorporated in the Republic of Singapore. TPG Growth IV SF Pte. Ltd. is an affiliate of TPG Growth.

Except as disclosed above, our Directors are not aware of any persons who will, immediately following completion of the Global Offering (but without taking into account any Shares which may allotted and issued upon the exercise of the Over-Allotment Option and any options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 or 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 any member of our Group (other than our Company). Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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—Our Strategies” for further details of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$703.3 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\$7.05 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 with our internally available funds from business operation to achieve the following objectives.

1. Approximately 37% or HK\$258.6 million is expected to be used for investing in the enhancement of our research and development function. We intend to use such proceeds (i) to enhance the research and development function for each of our lines of business; and (ii) to upgrade our research and development capabilities generally. See “—Expansion Plans” below for the rationale and details of our expansion plans in respect of each of our lines of business. Out of the net proceeds intended to be applied for this purpose, gradually over the next three years, we intend to use:
 - approximately 45.6% or HK\$117.9 million on the recruitment of research and development staff with more than three years of relevant experience and specialized in our different lines of business (including (i) HK\$51.6 million on the recruitment of around 50 staff members in total (20 in 2019, 20 in 2020, and 10 in 2021) for our user management SaaS platform business to serve both online businesses and offline businesses (i.e., enterprises that primarily operate their businesses offline through physical outlets); (ii) HK\$21.1 million on the recruitment of around 20 staff members in total (10 in 2019, 5 in 2020, and 5 in 2021) for our interactive advertising business to support the development of our interactive advertising solutions for local businesses; and (iii) HK\$45.2 million on the recruitment of around 100 staff members in total (50 in 2019, 30 in 2020, and 20 in 2021) for other businesses to support the development of our self-operated apps because we currently do not have a dedicated team in this regard). We believe the recruitment of more research and development staff is justified primarily because we plan to (i) expand our product development team for our user management SaaS platform business to target offline businesses; (ii) expand our product development team for our interactive advertising business to so as to enter into the localized advertising market; and (iii) develop our other businesses (see “—Expansion Plans” below for details);
 - approximately 22.8% or HK\$58.9 million on upgrading our existing servers and installing new servers and investing in core systems and optimizing data analytics and AI capabilities to address the expansion of our business operation and upgrading our

FUTURE PLANS AND USE OF PROCEEDS

services and solutions such as enhancing the effectiveness of our advertising placement;

- approximately 18.9% or HK\$48.9 million on the recruitment of around 40 staff members in total (20 in 2019, 15 in 2020, and 5 in 2021) with more than three years of relevant experience to improve our system infrastructure to satisfy the needs of business expansion (such as (i) adopting application containerization and thereby reducing the use of virtual machines in order to increase the efficiency of new releases, lower maintenance costs, and optimize the use of resources (given that a containerized setup consumes less system resources than the deployment of a virtual machine for each individual application); (ii) promoting automation of our business process to enhance efficiency and reduce human errors; and (iii) upgrading our middleware so as to better synchronize and consolidate our continuously expanding operation, human resources, and finance systems); and
- approximately 12.7% or HK\$32.8 million on establishing a research and development center building. As of the Latest Practicable Date, we had entered into a framework agreement with a PRC government body pursuant to which we will be provided with a land parcel for the construction of a building in the Hangzhou Zijingang Science and Technology Park. We intend to use the building primarily as our research and development facilities. See “Summary—Recent Development” for details.

We believe that investing in research and development enables us to increase the variety of solutions we offer to customers and increase the efficiency of operations. For example, improvements in our data analytics technology help us to better understand the large amount of user data we possess, and thereby optimizing our solutions.

Our research and development expense, consisting mainly of the salary and welfare of the relevant personnel, was generally commensurate with our business growth and accounted for 8.8% and 7.8% of our revenue, respectively, in 2017 and 2018, except in 2015 and 2016 during which our research and development expense far exceeded the above ratio because we were in the process of ramping up our operation during our early development stage. We plan to continue incur similar or slightly higher level of research and development expense so as to support our business growth.

2. Approximately 25% or HK\$179.3 million is expected to be used for investing in the enhancement of our sales and marketing function. We intend to use such proceeds to enhance the sales and marketing function for each of our lines of business. See “—Expansion Plans” below for the rationale and details of our expansion plans in respect of each of our lines of business. Out of the net proceeds intended to be applied for this purpose, gradually over the next three years, we intend to use:
 - approximately 36.8% or HK\$66.0 million on the recruitment of sales and marketing staff with more than three years of relevant experience and specialized in our different

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lines of business (including (i) HK\$24.8 million on the recruitment of 50 staff members in total for our user management SaaS platform business; (ii) HK\$39.2 million on the recruitment of 100 staff members in total for our interactive advertising business; and (iii) HK\$2.0 million on the recruitment of 10 staff members in total for our other businesses). We believe the expansion of our sales and marketing function is justified primarily because we plan to (i) target offline businesses for our user management SaaS platform business; (ii) enter the localized advertising market for our interactive advertising business; and (iii) develop our other businesses (see “—Expansion Plans” below for details); and

- approximately 63.2% or HK\$113.3 million on undertaking marketing activities for our different lines of business (including (i) HK\$47.1 million on our user management SaaS platform business; (ii) HK\$49.2 million for our interactive advertising business; and (iii) HK\$17.0 million for our other businesses) such as (i) hosting nationwide and regional marketing meetings inviting potential business partners including offline businesses in need of user management SaaS solutions, distribution partners for offline businesses, as well as advertising customers and media partners for localized interactive advertising businesses; and (ii) promoting our brand, services and products such as through sponsoring programs and campaigns for the industries relevant to our user management SaaS and interactive advertising businesses.
3. Approximately 8% or HK\$54.4 million is expected to be used for investing in the enhancement of our operational function. We intend to use such proceeds (i) to enhance the operational function for each of our lines of business; and (ii) to improve our equipment generally. See “—Expansion Plans” below for the rationale and details of our expansion plans in respect of each of our lines of business. Out of the net proceeds intended to be applied for this purpose, gradually over the next three years we intend to use:
- approximately 76.6% or HK\$41.7 million on the recruitment of operational staff specialized in our different lines of business (including (i) HK\$13.1 million on the recruitment of 20 staff members in total for our user management SaaS platform business; (ii) HK\$23.9 million on the recruitment of 30 staff members in total for our interactive advertising business; and (iii) HK\$4.7 million on the recruitment of 10 staff members in total for other businesses); and
 - approximately 23.4% or HK\$12.8 million on improving our equipment such as purchasing new computer hardware and rental payments (including (i) HK\$4.0 million for our user management SaaS platform business; (ii) HK\$7.3 million for our interactive advertising business; and (iii) HK\$1.4 million for other businesses).
4. Approximately 20% of the net proceeds or HK\$140.7 million is expected to be used for the investment into and acquiring companies and businesses that are relevant or complementary to our business and technologies, in order to support growth strategies. For example, we will explore potential opportunity of acquisition in (i) mobile apps, such as in

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the categories of lifestyle, video, reading and casual games, each with sizable user traffic such as with DAUs over five million and targeting users primarily in China, which we can monetize their user traffic, (ii) business engaged in data analytics or AI application serving mostly mobile apps customers in China and (iii) businesses engaged in mobile app advertising in China each contributing to DAUs over five million with the advertisements it helps to place. For now, we plan to focus on acquisition targets in China but we would also consider acquisition targets overseas at a later stage if appealing opportunities arise. As of the date of this prospectus, we have not identified any specific targets or participated in any potential acquisition or investment transaction.

5. Approximately 10% of the net proceeds or HK\$70.3 million is expected to be used for working capital and other general corporate purposes.

We will issue an appropriate announcement if there is any material change in the abovementioned use of proceeds.

Expansion Plans

We intend to apply the above net proceeds to expand our existing lines of businesses further, namely our user management SaaS platform business, interactive advertising business, and other businesses including our self-operating apps. We set out below further details including the reasons why we believe we are well positioned to benefit from such business expansion, as well as some specific initiatives we plan to implement in respect of each of our lines of businesses.

We expect that the salary levels of the staff members we intend to recruit using the net proceeds from the Global Offering will be generally in line with market rates.

User Management SaaS Platform Business

While we will continue expanding our offerings of user management SaaS to online businesses, we plan to increase our investment in expanding our services to offline business. Our increased focus on offline businesses is because this is one of the key development trends in China. According to iResearch, the market size of user management SaaS for offline businesses grew at a CAGR of 76.5% from 2013 to 2018, while its penetration rate remained relatively low at 3.4% in 2018. Specifically, the market size of user management SaaS for offline business in China is expected to grow at a CAGR of 49.4% from RMB3.9 billion in 2018 to RMB29.1 billion in 2023. As the current sales team of our user management SaaS platform business is mainly experienced in serving online customers, in order to expand and provide services to offline businesses, we plan to invest in strengthening our sales and marketing capabilities, such as by recruiting more sales staff, providing more training to sales staff, and working with distribution partners with more professional experience and strong relationships with offline businesses.

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Such distribution partners should have a deep understanding of the relevant local markets and strong capability of identifying potential offline businesses with potential demand for user management. The ideal profile of our distribution partners would include (i) agents which have more than one year of experience of serving listed companies which operate offline businesses (such as food delivery) and (ii) sole local agents of such listed companies with more than one year of experience. We will identify agents with appropriate experiences within specific industries and see them as our sales and marketing agents in local markets. Our newly-recruited sales and marketing staff will work together with the agents to develop these markets by granting them distributorship of our SaaS products, and the agents will in turn help us to market and sell our SaaS products. We believe they will present business opportunities to us in the areas we newly expand into, based on the business relationships they have with their listed company customers. We intend to build sales teams with industrial and regional focuses and develop our relationships with agents to reach medium and small customers. Specifically, our distribution partners are expected to explore local markets by identifying and engaging local agents with more understanding of local users and an existing localized user base. We expect to focus on cities with an active consumer market and a strong need for user management (such as Beijing, Shanghai, and Tianjin) with a particular focus on industries such as food and beverage, banking, and retail.

Although our user management SaaS platform business only accounted for a small portion of our revenue, we consider it necessary to continue enhance and improve our user management SaaS solutions for a number of key reasons, including (i) the mobile app user behavior data accumulated in the operation of our user management SaaS platform business will continue enable us to analyze users' behavioral preferences, social attributes and areas of interest to optimize our user management SaaS platform business and interactive advertising business; (ii) through our provision of user management SaaS solutions to our customers, we can cross sell our interactive advertising solutions to such customers; and (iii) in addition to revenue from our procurement services, we expect to generate revenue from charging for our user management SaaS solutions we have commenced on a pilot basis since April 2018.

Interactive Advertising Business

We plan to expand our interactive advertising business further by developing our localized advertising sales and marketing teams through the research and development staff and sales and marketing staff we expect to recruit for our interactive advertising business as described in the aforementioned use of proceeds. The members of our localized sales and marketing team should have three to five years of experience in developing localized business for major mobile apps developers. The newly recruited sales and marketing staff will be primarily in charge of discovery of potential advertising customers and media partners, establishment of new business relationships, and maintenance of existing relationships in China.

Further, we plan to identify more local marketing partners and satisfying the advertising demands of local merchants in 40 key first- and second-tier cities in China. To that end, we will utilize the existing content distribution channels currently in cooperation with us and further expand the scope

FUTURE PLANS AND USE OF PROCEEDS

of cooperation with additional content distribution channels. Specifically, we will seek to increase our cooperation with localized advertising agents with substantial experience in service (including wedding, maternity and child, entertainment, etc.) e-commerce, education, and financial industries.

Where opportunities arise, we also plan to expand into overseas markets by building up an interactive advertising platform for overseas online publishers and advertisers. Specifically, we plan to launch customized products and platform services that meet the needs of overseas advertising such as new advertising formats and contents as well as marketing campaigns tailored to the audience in different regions based on their traits and culture. We plan to enter into overseas markets because we see increasing demand of advertisers to acquire mobile app user traffic overseas in their process of expanding their global reach outside of China, which is a potential sizable market. As of the Latest Practicable Date, we had not identified any specific overseas market to expand into.

For our interactive advertising business, we intend to establish relationships with advertising agents by approaching those with a strong financial background which will allow them to make prepayments for ultimate advertisers (given that typically, the business model of advertising agents is to charge a mark-up to advertisers for providing services including making prepayments for them), and we intend to strengthen relationships with them through providing weekly updates to them on the volume of our interactive advertising solutions consumed by their advertising customers and our regular visits to them to enhance the communication effectiveness. We will also consider their brand image and whether they can bring in new sources of advertisers.

Other Businesses

We plan to undertake other business development activities, including developing self-operated apps, enhancing our overall competitiveness. We believe that developing our self-operated apps can enhance our overall competitiveness because this can improve our understanding of user behavior and preferences, thereby improving the conversion effectiveness for advertisers. We believe we can also benefit from the user traffic brought by our self-operated apps and lower our traffic acquisition cost. In addition, developing self-operated apps creates synergies with our interactive advertising business. When there is excessive user traffic on our interactive advertising platform, such user traffic can be directed to our self-operated apps, thereby improving monetization effectiveness for publishers. And conversely, when there is shortage of user traffic in our interactive advertising platform, the user traffic directed to our self-operated apps can be released to meet advertisers' needs.

As disclosed above, we intend to use the net proceeds we receive from the Global Offering to recruit 120 staff members for the development of businesses other than our user management SaaS platform business and interactive advertising businesses, mainly in order to enhance the research and development function of such other businesses. We believe investing in building a new team for our other businesses is needed because historically we have focused on developing our user management SaaS platform business and interactive advertising business and have not formed a dedicated team specialized in developing other businesses. The new team would include software developers and product designers.

We also plan to increase the scale of user traffic monetization, leveraging our deep understanding of user management and acquisition in respect of mobile apps.

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.

	2019	2020	2021	Total
	<i>(in millions of HK\$)</i>			
<i>Research and development:</i>				
- business-specific staff recruitment . . .	20.4	39.1	58.3	117.9
- investment in servers	25.5	22.0	11.4	58.9
- improvement in technology infrastructure	6.7	16.9	25.3	48.9
- research and development center	—	16.4	16.4	32.8
Subtotal	52.6	94.5	111.5	258.6
<i>Sales and marketing:</i>				
- business-specific staff recruitment . . .	11.0	21.7	33.3	66.0
- marketing initiatives	22.6	40.1	50.6	113.3
Subtotal	33.6	61.7	84.0	179.3
<i>Operations:</i>				
- business-specific staff recruitment . . .	8.7	13.2	19.8	41.7
- operational facilities	2.7	4.0	6.1	12.8
Subtotal	11.3	17.2	25.9	54.4
<i>Acquisitions</i>	N/A	N/A	N/A	140.7
<i>Working capital</i>	42.2	28.1	—	70.3

Range of Net Proceeds

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$820.0 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\$8.10 per Share, being the high-end of the indicative offer price range stated in this prospectus, and approximately HK\$586.6 million assuming the Over-allotment Option is not exercised and an Offer Price of HK\$6.00 per Share, being the low-end of the indicative offer price range stated in this prospectus.

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$117.5 million assuming an Offer Price of HK\$7.05 per Share, being the mid-point of the indicative offer price range stated in this prospectus, approximately HK\$135.0 million assuming an Offer Price of HK\$8.10 per Share, being the high-end of the indicative offer price range stated in this prospectus, and approximately HK\$100.0 million assuming an Offer Price of HK\$6.00 per Share, being the low-end of the indicative offer price range stated in this prospectus.

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JOINT GLOBAL COORDINATORS

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

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

JOINT BOOKRUNNERS AND JOINT LEAD MANAGERS

CMB International Capital Limited
The Hongkong and Shanghai Banking Corporation Limited
BOCI Asia Limited
AMTD Global Markets Limited
ABCI Capital Limited (as a Joint Bookrunner)
ABCI Securities Company Limited (as a Joint Lead Manager)
China Industrial Securities International Capital Limited
Guotai Junan Securities (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the Shares to be offered as mentioned in this prospectus pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among others, the International Purchase Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

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Grounds for Termination

If at any time prior to 8:00 a.m. on the day that trading in the Shares commences on the Hong Kong Stock Exchange, any one of the events provided in (1) or (2) occurs, then the Joint Global Coordinators (for themselves and on behalf of the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters), shall be entitled by notice (orally or in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect:

- (1) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:
 - (i) any breach of, or any matter, event, act or omission rendering untrue, incorrect, inaccurate or misleading in any respect, any of the warranties under the Hong Kong Underwriting Agreement or the International Purchase Agreement; or
 - (ii) any breach of any of the obligations or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Purchase Agreement (other than upon any of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters or the International Purchasers); or
 - (iii) that any statement contained in any of this prospectus, Application Forms and/or in any notices, announcements, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate in any material respect or misleading in any respect, or that any estimate/forecast, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, post hearing information pack, 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) is not fair and honest and based on reasonable assumptions, when taken as a whole with reference to the facts and circumstances then subsisting; or
 - (iv) that any matter has arisen or has been discovered which would or reasonably might, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement or omission of a material fact from any of this prospectus, the Application Forms, post hearing information pack and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto); or

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- (v) any matter, event, act or omission which gives or is likely to give rise to any liability of our Company or the Controlling Shareholders, Mr. Fang Hua or Mr. Xu Hengfei pursuant to the indemnities given by any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement or the International Purchase Agreement; or
 - (vi) any material 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 our Group as a whole; or
 - (vii) approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (viii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
 - (ix) Ernst & Young as the reporting accountants, Jingtian & Gongcheng as the legal advisors to our Company on PRC law, Cornerstone & Partners as the legal adviser to our Company on PRC trademark law, Conyers Dill & Pearman as the legal advisors to our Company on Cayman Islands law or iResearch as the independent industry consultant, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
 - (x) a material portion of the orders in the book-building process, have been withdrawn, terminated or cancelled, and the Joint Global Coordinators, in their absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or
- (2) there shall have developed, occurred, happened or come into effect:
- (i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any change or development involving a prospective change or development, in local, national, regional or international financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement

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system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or 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 the Renminbi is linked to any foreign currency or currencies), in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan, the Cayman Islands or the British Virgin Islands, or any other jurisdiction relevant to any member of our Group (each a “**Relevant Jurisdiction**”), including any event which involves one or more members of the European Union announcing voluntarily or compulsorily its or their intention to leave the Economic and Monetary Union of the European Union; or

- (ii) any new law or regulation or any change, development or announcement or publication involving a prospective change in existing law or regulations, or any change, development or announcement or publication involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
- (iii) the imposition or declaration of:
 - (i) any moratorium, suspension, restriction or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
 - (ii) any general moratorium on commercial banking activities or foreign exchange trading or securities settlement or clearance services in Hong Kong, New York, London, the PRC, the European Union (or any member thereof), Japan, or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or
- (iv) a 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 Renminbi against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdiction; or
- (v) any litigation, or claim, or investigation or actions being announced, threatened or instigated against any Group company or the Controlling Shareholders, Mr. Fang Hua or Mr. Xu Hengfei; or
- (vi) a demand by any tax authority for payment for any tax liability for any member of our Group which will or may reasonably materially impact the business operations of our Group; or

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- (vii) the imposition of economic sanctions or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or
- (viii) a 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
- (ix) the chairman or chief executive officer of our Company vacating his office; or
- (x) the commencement by any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational (“**Authority**”) in any Relevant Jurisdiction of any investigation, claim, proceedings or other action, or announcing an intention to investigate or take such action, against any executive Director; or
- (xi) a contravention by any Group company of the Listing Rules or applicable laws, rules or regulations; or
- (xii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or
- (xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
- (xiv) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or
- (xv) any event or series of events in the nature of force majeure, including, without limitation, acts of government, declaration of a national or international emergency, calamity, crisis, labour disputes, strikes, lock-outs, riots, public disorder, fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), outbreak of diseases or epidemics or pandemics including, but not limited to, Severe Acute Respiratory

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Syndromes (SARS), H1N1 and H5N1 and such related/mutated forms or accident or interruption or delay in transportation, economic sanction and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

- (xvi) order or petition for the winding up or liquidation of any Group company or any composition, compromise or arrangement made by any Group company with its creditors or a scheme of arrangement entered into by any Group company or any resolution for the winding up or liquidation of any Group company is passed or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (xvii) a valid demand by any creditor for repayment or payment of any of our Group's indebtednesses prior to its stated maturity; or,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters)

- (i) has or will have or is likely to have a material adverse effect, whether directly or indirectly, 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
- (ii) 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 Offer Shares in the secondary market; or
- (iii) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for any material part of Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering to be performed or implemented or proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (iv) has or will or is reasonably likely to have the effect of making any part of Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

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Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules

(A) *Undertakings by our Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that we will not issue any further Shares or securities convertible into 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 securities first commence dealings on the Hong Kong Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except pursuant to the Global Offering, the Over-allotment Option, any exercise of the options which may be granted under the Share Option Scheme or any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) *Undertakings by our Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Hong Kong Stock Exchange that, except pursuant to (i) the Global Offering, or (ii) the Stock Borrowing Agreement, he/it will not and shall procure that the relevant registered holder(s) of the Shares will not:

- (a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Hong Kong Stock Exchange (the “**First Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any share of our Company directly or indirectly beneficially owned by it (except for the shares to be transferred to NSSF as required by relevant PRC laws, regulations or rules); and
- (b) in the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any shares of our Company directly or indirectly beneficially owned by him/it, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be the controlling shareholder of our Company.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Hong Kong Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Hong Kong Stock Exchange, he/it will:

- (a) when he/it pledges and/or charges any shares or other securities of our Company beneficially owned by him/it directly or indirectly in favor of an 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 of such pledge and/or charge together with the number of Shares so pledged and/or charged; and

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- (b) when he/it receives indications, either verbal or written, from the pledgee and/or chargee that any of the pledged and/or charged shares will be disposed of, immediately inform our Company of such indications.

We will also, as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders, inform the Hong Kong Stock Exchange and disclose such matters as soon as possible by way of an announcement to be published in accordance with Rule 2.07C of the Listing Rules.

Undertakings to the Hong Kong Underwriters

Pursuant to the Hong Kong Underwriting Agreement, our Company and our Controlling Shareholders have undertaken as follows.

(A) Undertakings by our Company

Our Company has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors that except pursuant to the Global Offering (including pursuant to the Over-allotment Option) or the issue of options or shares under the Share Option Scheme, the conversion of the preferred shares into ordinary shares or the sub-division of shares during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date of the expiry of the First Six-Month Period, it will not, and will procure each other member of the Group not to, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, provided however that any capital injection by our Group in any members of the Group which does not result in any dilution in the shareholding or control of the Group over such member of the Group shall not be subject to such prior written consent requirement) and unless in compliance with the requirements of the Listing Rules:

- (a) 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 a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, claim, defect, right, interest or preference granted to any third party, or any other encumbrance or security interest of kind (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 share 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 represents the right to receive, or any warrants or other rights to purchase any Shares or other securities of our Company 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 depositary in connection with the issue of depositary receipts; or

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- (b) 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 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 other member of our Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a); (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of the Controlling Shareholders, Mr. Fang Hua or Mr. Xu Hengfei undertakes to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors to procure our Company to comply with the undertakings by our Company.

(B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to our Company, each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors that, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters whose consent shall not be unreasonably withheld) and unless in compliance with the requirements of the Listing Rules:

- (a) he/it will not, and shall procure that any nominee holding such Shares or securities on its behalf 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 deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, or

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- (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
 - (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph(a)(i) or (ii) above, or
 - (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph(a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph(a)(i), (ii) or (iii) above 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 such other securities will be completed within the First Six-Month Period);
- (b) he/it will not, and will procure that any nominee holding Shares or such other securities on its behalf will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraph(a)(i), (ii) or (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, it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company; and
- (c) until the expiry of the Second Six-month Period, in the event that it or any nominee on its behalf enters into any of the transactions specified in paragraph (a)(i), (ii) or (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, and its nominees will not, create a disorderly or false market in the securities of our Company.

Hong Kong Underwriters’ Interests in our Company

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the relevant laws and practice of the country of purchase in addition to the Offer Price.

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The International Offering

International Purchase Agreement

In connection with the International Offering, it is expected that we will enter into the International Purchase Agreement with, among others, the International Purchasers. Under the International Purchase Agreement, subject to the conditions set out therein, it is expected that the International Purchasers would, severally and not jointly or jointly and severally, agree to procure purchasers for, or to purchase, International Offer Shares being offered pursuant to the International Offering. It is expected that the International Purchase Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Purchase Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

We expect to grant to the International Purchasers, exercisable by the Joint Global Coordinators (on behalf of the International Purchasers), the Over-allotment Option, which will be exercisable from the date of the International Purchase Agreement until 30 calendar days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 16,666,400 Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering.

Underwriting Commissions and Expenses

The Underwriters will receive a commission of 3% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions. The Underwriters may receive an additional incentive fee of up to 1% of the Offer Price of all the Offer Shares.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay the underwriting commission attributable to such reallocated Hong Kong Offer Shares to the Joint Global Coordinators and the relevant International Purchasers (but not the Hong Kong Underwriters). The underwriting commission was determined between our Company and the Underwriters after arm's length negotiations with reference to current market conditions.

The aggregate commissions and fees, together with Hong Kong Stock Exchange listing fees, SFC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK\$80.0 million (assuming (i) an Offer Price of HK\$7.05 per Offer Share (being the mid-point of the indicative offer price range stated in this prospectus), (ii) the full payment of the discretionary incentive fee, and (iii) the Over-allotment Option is not exercised at all), are payable and borne by our Company.

Indemnity

Each of our Company, the Controlling Shareholders, Mr. Fang Hua and Mr. Xu Hengfei has agreed to indemnify, among others, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company, Controlling Shareholders, Mr. Fang Hua and Mr. Xu Hengfei of the Hong Kong Underwriting Agreement as the case may be.

STRUCTURE 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:

- (i) the Hong Kong Public Offering of initially 11,111,200 Shares in Hong Kong as described below in the section entitled “—The Hong Kong Public Offering” below; and
- (ii) the International Offering of an aggregate of initially 100,000,000 Shares to be offered to (i) to persons within the United States or to U.S. Persons, in each case, who are both QIBs and QPs, in reliance on Rule 144A or another exemption from, or in transaction not subject to, the registration requirements of the U.S. Securities Act, and (ii) outside the United States to persons who are not, and are not acting for the account or benefit of, U.S. Persons in offshore transactions in reliance on Regulation S. At any time from the date of the International Purchase Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Joint Global Coordinators, as representatives of the International Purchasers, have an option to require our Company to issue and allot up to an aggregate of 16,666,400 additional Offer Shares, representing approximately 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover, among other things, over-allocation in the International Offering, if any.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 10.00% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 11.33% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the section headed “—The International Offering—Over-allotment Option” below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the section headed “—The Hong Kong Public Offering—Reallocation” below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 11,111,200 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. The Hong Kong Offer Shares will represent approximately 1.0% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

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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 as set out in the section headed “—Conditions of the Global Offering” below.

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications to be received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation 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 Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly.

For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 5,555,600 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment under the Listing Rules. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times, and (c) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the total number of Offer Shares

STRUCTURE OF THE GLOBAL OFFERING

available under the Hong Kong Public Offering will be increased to 33,333,600, 44,444,800 and 55,555,600 Offer Shares, respectively, representing approximately 30% (in the case of (a)), 40% (in the case of (b)) and 50% (in the case of (c)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Offer Shares will be allocated to pool A and pool B.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators with any odd board lots being allocated to Pool A.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. The Joint Global Coordinators may in their discretion reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may also in their discretion reallocate to the International Offering all or any Hong Kong Offer Shares which are not subscribed.

In the event of reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering in the circumstances where (a) the International Offering shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed by less than 15 times, or (b) the International Offer Shares are undersubscribed and the Hong Kong Public Offer Shares are fully subscribed or oversubscribed, then up to 11,111,200 Offer Shares may be reallocated from the International Offering to the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase up to 22,222,400 Shares, representing approximately 20% of the number of the Offer shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the Offer Price shall be fixed at HK\$6.00 per Offer Share (being the low-end of the indicative Offer Price range stated in this prospectus) in accordance with Guidance Letter HKEx-GL91-18.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making 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, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he/she/it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$8.10 per Hong Kong Offer Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the section headed “—Pricing of the Global

STRUCTURE OF THE GLOBAL OFFERING

Offering” below, is less than the maximum price of HK\$8.10 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section entitled “How to Apply for Hong Kong Offer Shares”.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of 100,000,000 International Offer Shares representing approximately 90% of the Offer Shares under the Global Offering and approximately 9% of our Company’s enlarged issued share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares. 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. Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section headed “—Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the 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 Offer Shares, and/or hold or sell the Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer 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 (on behalf of, among others, the Underwriters) may require any investor who has been offered the International 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 so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that he/she/it is excluded from any application of the Hong Kong Offer Shares under the Hong Kong Public Offering.

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Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Purchasers exercisable by the Joint Global Coordinators on behalf of the International Purchasers.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the Listing Date until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 16,666,400 additional Offer Shares, representing approximately 15% of the initial number of Offer Shares to be offered in the Global Offering, at Offer Price to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.48% of our Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a usual practice used by underwriters in many markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the 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 stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or its affiliates or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases to be made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or its affiliates or any person acting for them to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 16,666,400 Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (a) over-allocation for the purpose of preventing or minimising any reduction in the market price;
- (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 deduction in the market price;
- (c) subscribing, or agreeing to subscribe, for the 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, the Shares for the sole purpose of preventing or minimising any reduction in the market price;
- (e) selling the Shares to liquidate a long position held as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or its affiliates or any person acting for them, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or its affiliates or any person acting for them, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilizing Manager, or its affiliates or any person acting for them, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilizing Manager, or its affiliates or any person acting for them, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Wednesday, May 29, 2019. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or its affiliates or any person acting

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for them, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager, or its affiliates or any person acting for them, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by applicants. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

PRICING OF THE GLOBAL OFFERING

The International Purchasers will be soliciting from prospective investors' indications of interest in acquiring the International Offer Shares in 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 Monday, April 29, 2019, and in any event on or before Sunday, May 5, 2019, by agreement between the Joint Global Coordinators (on behalf of, among others, the Joint Bookrunners and the Underwriters) and us and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$8.10 per Offer Share and is expected to be not less than HK\$6.00 per Offer Share unless to be otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **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 indicative offer price range stated in this prospectus.**

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price stated below in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, 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, cause there to be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.duiba.cn) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Joint Global Coordinators, on behalf of the Underwriters, and our Company, will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered

STRUCTURE OF THE GLOBAL OFFERING

under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Global Coordinators, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of the initial Hong Kong Offer Shares shall not be less than 10% of the total number of Offer Shares in the Global Offering. The International Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions and other expenses in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$820.0 million, assuming an Offer Price per Offer Share of HK\$8.10, being the high-end of the indicative Offer Price range or approximately HK\$586.6 million, assuming an Offer Price per Offer Share of HK\$6.00, being the low-end of the indicative Offer Price range (or if the Over-allotment Option is exercised in full, approximately HK\$955.0 million, assuming an Offer Price per Offer Share of HK\$8.10, or approximately HK\$686.6 million, assuming an Offer Price per Offer Share of HK\$6.00), being the low-end of the indicative Offer Price range.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.duiba.cn) on Monday, May 6, 2019.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Purchase Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Purchase Agreement relating to the International Offering on or around the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting.”

STRUCTURE OF THE GLOBAL OFFERING

ADMISSION OF THE SHARES INTO CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies 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 Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange 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.

DEALINGS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, May 7, 2019, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Tuesday, May 7, 2019. Our Shares will be traded in board lots of 400 Shares each and the stock code of our Shares will be 1753.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment) and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Purchase Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of, among others, the Joint Bookrunners and the Underwriters) and us on or before Sunday, May 5, 2019, the Global Offering will lapse.

STRUCTURE OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be posted by our Company on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at <http://www.duiba.cn> 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 entitled “How to Apply for Hong Kong Offer Shares.” In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Monday, May 6, 2019 but will only become valid certificates of title at 8:00 a.m. on Tuesday, May 7, 2019 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the section entitled “Underwriting—Underwriting Arrangements and Expenses—The Hong Kong Public Offering—Grounds for Termination” has not been exercised.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** Service 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 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 United States and are not a U.S. person; and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail 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 authorized 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 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 Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- 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;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong 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 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 copy of this prospectus during normal business hours between 9:00 a.m. on Wednesday, April 24, 2019 until 12:00 noon on Monday, April 29, 2019 from:

- (i) the following offices of the Joint Bookrunners:

CMB International Capital Limited

**45/F, Champion Tower
3 Garden Road
Central
Hong Kong**

HOW TO APPLY FOR HONG KONG OFFER SHARES

The Hongkong and Shanghai Banking Corporation Limited	1 Queen's Road Central Hong Kong
BOCI Asia Limited	26th Floor, Bank of China Tower 1 Garden Road Central Hong Kong
AMTD Global Markets Limited	23/F - 25/F, Nexxus Building 41 Connaught Road Central 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
Guotai Junan Securities (Hong Kong) Limited	27/F., Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

(ii) any of the following branches of the following receiving banks:

District	Branch Name	Address
Hong Kong Island	Central District Branch	189 Des Voeux Road Central
	Head Office	45 Des Voeux Road Central
	Kennedy Town Branch	28 Catchick Street
Kowloon	Mongkok Branch	B/F CMB Wing Lung Bank Centre, 636 Nathan Road
	San Po Kong Branch	8 Shung Ling Road
	Tsim Sha Tsui Branch	4 Carnarvon Road

You can collect a YELLOW Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, April 24, 2019 until 12:00 noon on Monday, April 29, 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 — Duiba 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:

Wednesday, April 24, 2019 — 9:00 a.m. to 5:00 p.m.
Thursday, April 25, 2019 — 9:00 a.m. to 5:00 p.m.
Friday, April 26, 2019 — 9:00 a.m. to 5:00 p.m.
Saturday, April 27, 2019 — 9:00 a.m. to 1:00 p.m.
Monday, April 29, 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, April 29, 2019, the last application day or such later time as described in "—Effect of Bad Weather on the Opening of the Application Lists" in this section.

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 Provider, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (WUMP) Ordinance and the Articles of Association;
- (iii) 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;
- (iv) 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;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (vi) agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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);
- (vii) 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;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) 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 Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors 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;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong 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 Offer Shares are outside the United States and are not a U.S. Person;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xv) authorize 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 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 have fulfilled the criteria mentioned in “—Despatch/Collection of Share Certificates and Refund Monies—Personal Collection” section in this prospectus to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) 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;
- (xvii) 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 Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (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
- (xix) (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 WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “—Who Can Apply” in this section, may apply through the **White Form eIPO** Service Provider for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Detailed instructions for application through the **White Form eIPO** Service Provider 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 authorize 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.

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. on Wednesday, April 24, 2019 until 11:30 a.m. on Monday, April 29, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, April 29, 2019 or such later time under “—Effect of Bad Weather on the Opening of the Application 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 Provider to make an application for Hong Kong 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 Provider or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Environmental Protection

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\$2.0 per each “DUIBA GROUP LIMITED” **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

HOW TO APPLY FOR HONG KONG 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 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 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 Center
1/F, One & Two Exchange Square,
8 Connaught Place,
Central,
Hong Kong

and complete an input request form.

You can also collect a copy of this 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 Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong 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;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- 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 International Offer Shares;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (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 authorized to give those instructions as their agent;
- confirm that you understand that our Company, the 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 Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- 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;
- agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisors and agents;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- 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;
- 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 us 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 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 (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- 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;
- 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 Offer Shares;
- 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 the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance and the Articles of Association; and
- 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

HOW TO APPLY FOR HONG KONG OFFER SHARES

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:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong 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 Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized 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 400 Hong Kong Offer Shares. Instructions for more than 400 Hong Kong 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 Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, April 24, 2019 — 9:00 a.m. to 8:30 p.m.
Thursday, April 25, 2019 — 8:00 a.m. to 8:30 p.m.
Friday, April 26, 2019 — 8:00 a.m. to 8:30 p.m.
Monday, April 29, 2019 — 8:00 a.m. to 12:00 noon

Note:

- (1) These times 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.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, April 24, 2019 until 12:00 noon on Monday, April 29, 2019 (24 hours daily, except on the last application day).

HOW TO APPLY FOR HONG KONG OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, April 29, 2019, the last application day or such later time as described in “—Effect of Bad Weather on the Opening of the Application Lists” in this section.

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 Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong 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 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 (WUMP) 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisors 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 Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** 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, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators 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 Provider will be allotted any Hong Kong 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

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Monday, April 29, 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong 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:

- an account number; or
- 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.

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 the **White Form eIPO** Service Provider, 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:

- the principal business of that company is dealing in securities; and
- 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 Hong Kong Stock Exchange.

"*Statutory control*" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- 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).

HOW TO APPLY FOR HONG KONG OFFER SHARES

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong 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 Provider in respect of a minimum of 400 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 400 Hong Kong 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 (as defined in the Listing Rules), and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please see the section headed “Structure of the Global Offering—Pricing of the Global Offering” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, April 29, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings 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 Monday, April 29, 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Offer Shares on or before Monday, May 6, 2019 at our Company's website at www.duiba.cn and the website of the Hong Kong 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:

- in the announcement to be posted on our Company's website at www.duiba.cn and the Hong Kong Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, May 6, 2019;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <http://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, May 6, 2019 to 12:00 midnight on Sunday, May 12, 2019;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, May 6, 2019 to Thursday, May 9, 2019;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, May 6, 2019 to Wednesday, May 8, 2019 at all the receiving bank's designated 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 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 of the Global Offering".

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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) 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.

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.

(ii) 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.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- 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.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- 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 Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** Service Provider are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- 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
- your application is for more than 50% of the Hong Kong 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\$8.10 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering—Conditions of the Global 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 Hong Kong 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, May 6, 2019.

HOW TO APPLY FOR HONG KONG OFFER SHARES

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong 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:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- 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 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 levy and the Hong Kong 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, May 6, 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, May 7, 2019 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong 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 the Hong Kong 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, May 6, 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 authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong 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 despatched 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 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, May 6, 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, May 6, 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, May 6, 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 Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- *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" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, May 6, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong 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 Provider

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong 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, May 6, 2019, or such other date as notified by our Company in the announcement published by our Company as the date of despatch/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.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, May 6, 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 despatched 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 despatched 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 Offer Shares

For the purposes of allocating Hong Kong 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- 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, May 6, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- 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” in this section on Monday, May 6, 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, May 6, 2019, or such other date as determined by HKSCC or HKSCC Nominees.
- 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 Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong 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, May 6, 2019. Immediately following the credit of the Hong Kong 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 Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- 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 Hong Kong 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, May 6, 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 advisor 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 received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

The Directors

Duiba Group Limited

CMB International Capital Limited

HSBC Corporate Finance (Hong Kong) Limited

Dear Sirs,

We report on the historical financial information of Duiba Group Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-76, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and the statement of financial position of the Company as at 31 December 2018 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-76 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 24 April 2019 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in*

Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group as at 31 December 2016, 2017 and 2018 and of the Company as at 31 December 2018 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

24 April 2019

I HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
REVENUE	5	51,138	645,792	1,137,032
Cost of sales		(11,102)	(403,766)	(708,119)
Gross profit		40,036	242,026	428,913
Other income and gains	5	663	3,260	13,222
Selling and distribution expenses		(8,599)	(46,026)	(107,156)
Administrative expenses		(37,517)	(82,213)	(173,554)
Changes in fair value of financial liabilities at fair value through profit or loss	7	(84,255)	(18,605)	(453,592)
Other expenses		—	(79)	(1,139)
Finance costs	8	—	—	(5,772)
PROFIT/(LOSS) BEFORE TAX	6	(89,672)	98,363	(299,078)
Income tax credit/(expense)	11	2,233	(255)	7,496
PROFIT/(LOSS) FOR THE YEAR		(87,439)	98,108	(291,582)
OTHER COMPREHENSIVE LOSS				
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences on translation of foreign operations		—	—	(33,572)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		—	—	(33,572)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(87,439)	98,108	(325,154)
Attributable to:				
Owners of parent		(87,439)	98,108	(325,154)
Earnings/(loss) per share attributable to ordinary equity holders of the parent				
Basic and diluted	13	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	2,042	3,600	8,930
Intangible assets	15	—	96	894
Deferred tax assets	24	3,346	3,133	10,877
Prepayments, deposits and other receivables	18	154	327	1,979
Advance payments for property, Plant and equipment		27	276	—
Total non-current assets		5,569	7,432	22,680
CURRENT ASSETS				
Inventories	16	—	188	—
Trade receivables	17	4,377	14,474	114,963
Prepayments, deposits and other receivables	18	3,402	13,819	46,570
Financial assets at fair value through profit or loss	19	24,769	224,882	426,172
Due from a director	32(a)	12,659	11,888	—
Cash and cash equivalents	20	20,852	90,790	281,565
Total current assets		66,059	356,041	869,270
CURRENT LIABILITIES				
Trade payables	21	4,915	93,087	63,209
Advances from customers, other payables and accruals	22	32,726	90,195	88,443
Contract liabilities		—	27,522	20,657
Total current liabilities		37,641	210,804	172,309
NET CURRENT ASSETS		28,418	145,237	696,961
TOTAL ASSETS LESS CURRENT LIABILITIES				
		33,987	152,669	719,641
NON-CURRENT LIABILITIES				
Deferred tax liabilities	24	22	—	248
Financial liabilities at fair value through profit or loss	23	126,075	144,680	1,151,391
Total non-current liabilities		126,097	144,680	1,151,639
Net assets/(liabilities)		(92,110)	7,989	(431,998)
EQUITY				
Equity attributable to owners of the parent				
Share capital	25	—	—	44
Reserves	26	(92,110)	7,989	(432,042)
Total equity/(net deficiency in assets)		(92,110)	7,989	(431,998)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent				Total equity/(net deficiency in assets)
	Share capital	Capital reserve*	Statutory and other surplus reserves*	Accumulated losses*	
	<i>RMB'000</i> <i>(note 25)</i>	<i>RMB'000</i> <i>(note 26)</i>	<i>RMB'000</i> <i>(note 26)</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2016.....	—	6,993	—	(11,957)	(4,964)
Loss for the year.....	—	—	—	(87,439)	(87,439)
Total comprehensive loss for the year .	—	—	—	(87,439)	(87,439)
Equity-settled share award (note 27) ..	—	293	—	—	293
At 31 December 2016 and 1 January 2017	—	7,286	—	(99,396)	(92,110)
Profit for the year.....	—	—	—	98,108	98,108
Total comprehensive income for the year.....	—	—	—	98,108	98,108
Equity-settled share award (note 27) ..	—	1,991	—	—	1,991
Transfer to statutory reserves	—	—	10,803	(10,803)	—
At 31 December 2017	—	9,277	10,803	(12,091)	7,989

	Attributable to owners of the parent						Total equity/(net deficiency in assets)
	Share capital	Share premium*	Capital reserve*	Statutory surplus reserve*	Accumulated losses*	Exchange fluctuation reserve*	
	RMB'000 (note 25)	RMB'000 (note 25)	RMB'000 (note 26)	RMB'000 (note 26)	RMB'000	RMB'000	
At 1 January 2018	—	—	9,277	10,803	(12,091)	—	7,989
Loss for the year	—	—	—	—	(291,582)	—	(291,582)
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	—	—	—	—	—	(33,572)	(33,572)
Total comprehensive loss for the year	—	—	—	—	(291,582)	(33,572)	(325,154)
Equity-settled share award (note 27)	—	—	11,662	—	—	—	11,662
Issue of shares	49	35,530	—	—	—	—	35,579
Repurchase of shares	(5)	(3,355)	(252,530)	—	—	—	(255,890)
Conversion of preferred shares to ordinary shares of the then shareholders	—	—	154,044	—	—	—	154,044
Acquisition of equity interests in subsidiaries from the then shareholders	—	—	(41,050)	—	(950)	—	(42,000)
Dividends paid to the then shareholders	—	—	—	—	(18,228)	—	(18,228)
Transfer to statutory reserves . . .	—	—	—	14,322	(14,322)	—	—
At 31 December 2018	<u>44</u>	<u>32,175</u>	<u>(118,597)</u>	<u>25,125</u>	<u>(337,173)</u>	<u>(33,572)</u>	<u>(431,998)</u>

* These reserve accounts comprise the consolidated reserves of RMB(92,110,000), RMB7,989,000, RMB(432,042,000) in the consolidated statements of financial position as at 31 December 2016, 2017 and 2018, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax		(89,672)	98,363	(299,078)
Adjustments for:				
Bank interest income	5	(52)	(112)	(2,462)
Investment income from financial assets at fair value through profit or loss	5	(389)	(2,001)	(8,021)
Foreign exchange gains, net	5	—	—	(153)
Loss on disposal of items of property, plant and equipment	6	—	51	947
Depreciation of property, plant and equipment	14	405	1,029	3,081
Changes in fair value of financial assets at fair value through profit or loss	5	(149)	(501)	(2,128)
Amortisation of intangible assets	15	—	3	102
Finance costs		—	—	5,772
Changes in fair value of financial liabilities at fair value through profit or loss	7	84,255	18,605	453,592
Equity-settled share award expense		293	1,991	11,662
Impairment of trade receivables arising from contracts with customers	17	—	—	613
		(5,309)	117,428	163,927
Increase in trade receivables		(4,142)	(10,097)	(101,102)
Increase in prepayments, deposits and other receivables		(2,604)	(10,298)	(34,368)
Decrease/(increase) in inventories		—	(188)	188
Increase/(decrease) in trade payables		4,914	88,172	(29,878)
Increase/(decrease) in contract liabilities		—	27,522	(6,865)
Increase/(decrease) in advances from customers, other payables and accruals		23,448	57,469	(1,752)
Cash generated from operations		16,307	270,008	(9,850)
Interest received		52	112	2,462
Income tax paid		—	(356)	(184)
Tax refund		—	—	149
Net cash flows from/(used in) operating Activities		16,359	269,764	(7,423)

	Notes	Year ended 31 December		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of items of property, plant and equipment		—	23	279
Purchases of items of property, plant and equipment		(1,883)	(2,910)	(9,361)
Purchases of financial assets at fair value through profit or loss		(42,620)	(378,381)	(1,564,013)
Proceeds from disposal of financial assets at fair value through profit or loss		36,389	180,770	1,372,876
Acquisition of equity interests in subsidiaries from the then shareholders		—	—	(42,000)
Advances to a director		(3,984)	—	—
Repayment of advances to a director		—	771	11,888
Purchases of intangible assets	15	—	(99)	(900)
Net cash flows used in investing activities		<u>(12,098)</u>	<u>(199,826)</u>	<u>(231,231)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from financial liabilities at fair value through profit or loss	23	—	—	712,005
Dividends paid to the then shareholders		—	—	(18,228)
Dividends paid to preferred shareholders	8	—	—	(5,772)
Proceeds from issue of shares	25	—	—	35,579
Repurchase of preferred shares	23	—	—	(64,144)
Repurchase of shares		—	—	(255,890)
Net cash flows from financing activities		<u>—</u>	<u>—</u>	<u>403,550</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS				
Net foreign exchange difference		4,261	69,938	164,896
Cash and cash equivalents at beginning of year	20	<u>16,591</u>	<u>20,852</u>	<u>90,790</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	20	<u>20,852</u>	<u>90,790</u>	<u>281,565</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows	20	<u>20,852</u>	<u>90,790</u>	<u>281,565</u>

STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December 2018
		<u>RMB'000</u>
CURRENT ASSETS		
Prepayments, deposits and other receivables		1,997
Financial assets at fair value through profit or loss		96,198
Due from a subsidiary		336,305
Cash and cash equivalents		<u>6,725</u>
Total current assets		<u>441,225</u>
CURRENT LIABILITIES		
Other payables and accruals		<u>2,882</u>
Total current liabilities		<u>2,882</u>
NET CURRENT ASSETS		
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>438,343</u>
NON-CURRENT LIABILITIES		
Financial liabilities at fair value through profit or loss	23	<u>1,151,391</u>
Total non-current liabilities		<u>1,151,391</u>
Net liabilities		<u>(713,048)</u>
EQUITY		
Share capital	25	44
Reserves		<u>(713,092)</u>
Net deficiency in assets		<u>(713,048)</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 26 February 2018. The registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally involved in user management SaaS platform business, interactive advertising business and other businesses, including the e-commerce business which was temporarily conducted and terminated in December 2018.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Duiba Group (Hong Kong) Limited ("Duiba HK") (a)	Hong Kong 11 April 2018	Hong Kong dollar ("HKD") 1	100%	—	Investment holding
Hangzhou Duiba Internet Technology Co., Ltd. 杭州兑吧網絡科技有限公司* ("HZ Duiba") (b)	People's Republic of China (the "PRC")/ Mainland China 13 May 2011	Renminbi ("RMB") 1,586,894	—	100%	User management SaaS platform/ interactive advertising
Hangzhou Tuia Internet Technology Co., Ltd. 杭州推啊網絡科技有限公司* ("HZ Tuia") (b)	PRC/ Mainland China 22 September 2016	RMB50,000,000	—	100%	Interactive advertising/claw crane challenge in app
Hangzhou Maibaola Internet Technology Co., Ltd. 杭州麥爆啦網絡科技有限公司* (b)	PRC/ Mainland China 12 October 2016	RMB1,000,000	—	100%	Interactive advertising
Hangzhou Baiqi Internet Technology Co., Ltd. 杭州百奇網絡科技有限公司* (b)	PRC/ Mainland China 16 November 2016	RMB1,000,000	—	100%	Interactive advertising

APPENDIX I

ACCOUNTANTS' REPORT

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Youfen Internet Technology Co., Ltd. 杭州有粉網絡科技有限公司* (b)	PRC/ Mainland China 25 October 2016	RMB200,000	—	100%	Interactive advertising
Khorgas Tuia Internet Technology Co., Ltd. 霍爾果斯推啊網絡科技有限公司 ("Khorgas Tuia") * (a)	PRC/ Mainland China 25 January 2018	RMB10,000,000	—	100%	Interactive advertising
Hangzhou Wanhai Entertainment Internet Technology Co., Ltd 杭州玩嗨互娛網絡科技有限公司* (a)	PRC/ Mainland China 2 January 2018	RMB1,000,000	—	100%	Interactive advertising
Hangzhou Maiyougou Network Technology Co., Ltd. 杭州麥優購網絡科技有限公司* (b)	PRC/ Mainland China 28 December 2017	RMB1,000,000	—	100%	Interactive advertising
Hangzhou Maiquan Network Technology Co., Ltd. 杭州麥全網絡科技有限公司* (b)	PRC/ Mainland China 28 December 2017	RMB1,000,000	—	100%	Interactive advertising
Hangzhou Moli Network Co., Ltd. 杭州魔力網絡有限公司* (b)	PRC/ Mainland China 28 December 2017	RMB1,000,000	—	100%	Interactive advertising
Hangzhou Maiyoupin Network Technology Co., Ltd. 杭州麥優品網絡科技有限公司* (b)	PRC/ Mainland China 28 December 2017	RMB1,000,000	—	100%	Interactive advertising
Hangzhou Fenlefei Network Technology Co., Ltd. 杭州粉樂飛網絡科技有限公司* (a)	PRC/ Mainland China 15 January 2018	RMB1,000,000	—	100%	Interactive advertising
Hangzhou Meiren Network Technology Co., Ltd. 杭州美韌網絡科技有限公司* (a)	PRC/ Mainland China 16 January 2018	RMB1,000,000	—	100%	Interactive advertising
Hangzhou Nanjue Network Technology Co., Ltd. 杭州南爵網絡科技有限公司* (a)	PRC/ Mainland China 15 January 2018	RMB1,000,000	—	100%	Interactive advertising
Hangzhou Shentong Network Technology Co., Ltd. 杭州神同網絡科技有限公司* (a)	PRC/ Mainland China 16 January 2018	RMB1,000,000	—	100%	Interactive advertising

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Taotaole Network Technology Co., Ltd. 杭州淘淘樂網絡科技有限公司* (a)	PRC/ Mainland China 8 January 2018	RMB1,000,000	—	100%	Interactive advertising
Hangzhou Yixiu Culture Media Co., Ltd. 杭州一修文化傳媒有限公司* (a)	PRC/ Mainland China 15 January 2018	RMB1,000,000	—	100%	Digital paid-for content
Hangzhou Maitong Network Technology Co., Ltd. 杭州麥同網絡科技有限公司* (a)	PRC/ Mainland China 29 March 2018	RMB1,000,000	—	100%	Interactive advertising
Hangzhou Maiyan Network Technology Co., Ltd. 杭州麥嚴網絡科技有限公司* (a)	PRC/ Mainland China 22 March 2018	RMB1,000,000	—	100%	Interactive advertising
Hangzhou Keze Network Technology Co., Ltd. 杭州可澤網絡科技有限公司* (a)	PRC/ Mainland China 25 September 2018	USD20,000,000	—	100%	Interactive advertising

Notes:

- (a) No audited financial statements have been prepared for these entities as the entities were incorporated in 2018.
- (b) No audited financial statements have been prepared for these entities since their dates of incorporation as these entities are not required by the local government to prepare statutory accounts.
- * The English names of these entities registered in Mainland China represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 28 May 2018. As the Reorganisation involved inserting new holding companies at the top of an existing company, that have not resulted in a change of respective voting and beneficial interests, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the then holding company by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as of 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries now comprising the Group using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2018, including HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers*, together with the relevant transitional provisions, have been consistently applied by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention except for financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss that have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries (collectively referred to as the “Group”) for the Relevant Periods. As explained in note 2.1 above, the Historical Financial Information for the Relevant Periods has been prepared on a consolidated basis by using the merger accounting.

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

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹

Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ²
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
Amendments to HKFRS 3 included in <i>Annual Improvements 2015-2017 Cycle</i>	<i>Business Combinations</i> ²
Amendments to HKFRS 11 included in <i>Annual Improvements 2015-2017 Cycle</i>	<i>Joint Arrangements</i> ¹
Amendments to HKAS 12 included in <i>Annual Improvements 2015-2017 Cycle</i>	<i>Income Taxes</i> ¹
Amendments to HKAS 23 included in <i>Annual Improvements 2015-2017 Cycle</i>	<i>Borrowing Costs</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 16, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees - leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the

same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of RMB8,358,000 and lease liabilities of RMB8,358,000 will be recognised at 1 January 2019. Other than that, the Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in any significant impact on the financial position and performance of the Group.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its financial instrument such as debt instruments and financial liabilities at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for

the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

Leasehold improvements	50%
Plant and machinery	31.67%
Office equipment	31.67%
Motor vehicles	9.5%

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

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

Intangible assets (other than goodwill)

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

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

Research and development costs

All research costs are charged to profit or loss.

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

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Financial assets***Initial recognition and measurement***

The Group classifies its financial assets, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortised cost includes trade receivables, deposits and other receivables and amount due from directors.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group has no debt instruments under this category in the Relevant Periods.

Financial assets designated at fair value through OCI (equity instruments)

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

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

The Group has no equity instruments under this category in the Relevant Periods.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes non-listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on non-listed equity investments are also recognised as other income in profit or loss when the right of payment has been established.

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

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Group has:

- (a) transferred substantially all of the risks and rewards of the asset; or
- (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Impairment of financial assets

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

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

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or fair value through profit or loss.

Financial liabilities measured at fair value through profit of loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is designated as at fair value through profit or loss.

A financial liability may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

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

Subsequent to initial recognition, the preferred shares are carried at fair value with changes in fair value through profit or loss recognised in profit or loss.

The preferred shares are classified as non-current liabilities because the preferred shares holders cannot demand the Company to redeem the preferred shares for at least 12 months after the end of the reporting period.

Financial liabilities measured at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the monthly weighted average basis. Net realisable value is based on estimated selling prices in the ordinary course of business less the estimated applicable selling expenses.

Cash and cash equivalents

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

Revenue from contracts with customers

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

Interactive advertising service

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

(i) *Variable consideration*

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

The Group provides retrospective volume rebates to certain customers once the volume of advertising consumption during the period exceeds a threshold specified in the contract. Rebates are recharged to the customers' accounts in the Group's advertising system. To estimate the variable consideration for the expected future rebates, the Group applies the expected value method for all

contracts as there was more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liabilities for the expected future rebates.

(ii) *Significant financing component*

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

Contract balances

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

User management SaaS platform business

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

Sales of goods

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

Claw crane challenge

Revenue from claw crane challenge in app is recognised at a point in time when the user consumed the coins.

No variable consideration and significant financing component for User management SaaS platform business, Sales of goods and claw crane challenge.

Interest income

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

Principal versus agent consideration

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

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value of the shares at the date at which they are granted. The fair value is measured at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period, further details of which are given in note 27 to the Historical Financial Information.

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

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

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

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

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

Other employee benefits

Pension scheme

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

Foreign currencies

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details are disclosed in note 24 to the Historical Financial Information.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the financial statements, respectively.

Useful lives and residual values of property, plant and equipment

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

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

Fair value of financial liabilities at fair value through profit or loss

The financial liabilities at fair value through profit or loss have used the Market Approach or Backsolve Method when applicable to determine the underlying share value of the Company or HZ Duiba and adopted equity allocation model to determine the fair value of the preferred shares as of the dates of issuance and at the end of each reporting period. This valuation requires the Group to make estimates about time to exit event, risk free rate and equity volatility, and hence they are subject to uncertainty. The fair values of the financial liabilities at fair value through profit or loss at 31 December 2016, 2017 and 2018 were RMB126,075,000, RMB144,680,000 and RMB1,151,391,000, respectively. Further details are included in notes 23 and 34 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

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

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Customer 1	N/A*	N/A*	194,466
Customer 2	N/A*	N/A*	184,758
Customer 3	N/A*	64,982	119,575
Customer 4	N/A*	98,677	N/A*
Customer 5	N/A*	65,668	N/A*
Customer 6	5,421	N/A*	N/A*
	<u>5,421</u>	<u>229,327</u>	<u>498,799</u>

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

5. REVENUE, OTHER INCOME AND GAINS

Revenue, represents the net invoiced value of products and service sold during the Relevant Periods.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Revenue			
User management SaaS platform business	4,456	6,187	13,661
Interactive advertising business	46,682	607,272	1,110,108
Others	—	32,333	13,263
	<u>51,138</u>	<u>645,792</u>	<u>1,137,032</u>
Other income			
Bank interest income	52	112	2,462
Government grants*	73	616	106
Foreign exchange gains, net	—	—	153
Others	—	30	352
	<u>125</u>	<u>758</u>	<u>3,073</u>
Gains			
Changes in fair value of financial assets at fair value through profit or loss	149	501	2,128
Investment income from financial assets at fair value through profit or loss	389	2,001	8,021
	<u>538</u>	<u>2,502</u>	<u>10,149</u>
	<u>663</u>	<u>3,260</u>	<u>13,222</u>

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

Note:

(a) Disaggregation of revenue from contracts with customers

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

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Timing of revenue recognition			
Over time			
- SaaS services included in user management SaaS platform business	—	—	4,102
- Others	—	—	1,237
At a point in time			
- Other services included in user management SaaS platform business	4,456	6,187	9,559
- Interactive advertising business	46,682	607,272	1,110,108
- Others	—	32,333	12,026
	<u>51,138</u>	<u>645,792</u>	<u>1,131,693</u>
Total	<u>51,138</u>	<u>645,792</u>	<u>1,137,032</u>

The Group recognised the following revenue-related contract liabilities:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current	—	27,522	20,657

(i) Significant changes in contract liabilities

Contract liabilities representing the obligations to transfer services to a counterparty for which the Group has received consideration. The changes in the contract liabilities are mainly attributable to the change of the scale of sales of the interactive advertising business and SaaS service during the relevant contract period subsequent to the end of the year.

(ii) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the Relevant Periods related to carried-forward contract liabilities.

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	—	—	27,522

(iii) Unsatisfied performance obligations

The following table shows the unsatisfied performance obligations as at 31 December 2016, 2017 and 2018.

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current:			
Volume rebate	—	27,522	14,831
Deferred revenue	—	—	5,826
	<u>—</u>	<u>27,522</u>	<u>20,657</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	Year ended 31 December		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
Cost of inventories sold		—	16,074	2,548
Cost of services provided		11,102	387,692	705,571
Depreciation of property, plant and equipment . . .	14	405	1,029	3,081
Amortisation of intangible assets*	15	—	3	102
Bank interest income	5	(52)	(112)	(2,462)
Foreign exchange gains, net	5	—	—	(153)
Loss on disposal of items of property, plant and equipment		—	51	947
Impairment of trade receivables arising from contracts with customers	17	—	—	613
Changes in fair value of financial assets at fair value through profit or loss	5	(149)	(501)	(2,128)
Investment income from financial assets at fair value through profit or loss	5	(389)	(2,001)	(8,021)
Research and development costs		27,606	56,603	88,835
Minimum lease payments under operating leases .		861	1,932	5,698
Auditor's remuneration		—	524	—
Listing expenses		—	—	25,188
Employee benefit expense (excluding directors' and chief executive's remuneration(note 9)):				
Wages and salaries		23,460	61,392	118,221
Equity-settled share award expense		293	1,704	11,384
Pension scheme contributions		2,708	6,097	13,125
Staff welfare expense		7,797	17,819	39,497
		<u>34,258</u>	<u>87,012</u>	<u>182,227</u>

* The amortisation of intangible assets for the Relevant Periods are included in "Administrative expenses" in profit or loss.

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

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Changes in fair value	<u>84,255</u>	<u>18,605</u>	<u>453,592</u>

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividends on redeemable preferred shares (classified as financial liabilities at fair value through profit or loss)	<u>—</u>	<u>—</u>	<u>5,772</u>

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the years ended 31 December 2016 and 2017 since the Company was incorporated on 26 February 2018.

Mr. Chen Xiaoliang was appointed as executive director and chief executive of the Company on 26 February 2018, Mr. Fang Hua and Mr. Xu Hengfei were appointed as executive directors of the Company on 31 May 2018, and Mr. Zhu Jiangbo was appointed as executive director of the Company on 14 August 2018. Mr. Huang Tao and Mr. Sun Qiang Chang were appointed as non-executive directors of the Company on 31 May 2018.

Certain of the directors received remuneration from subsidiaries now comprising the Group for their appointment as directors of the subsidiaries. The remuneration of the directors as recorded in the financial statement of the subsidiaries is set out below:

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	887	1,067	1,421
Equity-settled share award expense	—	287	863
Pension scheme contributions	<u>85</u>	<u>96</u>	<u>104</u>
	<u>972</u>	<u>1,450</u>	<u>2,388</u>

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2016				
Executive director and chief executive:				
Mr. Chen Xiaoliang	235	22	—	257
Executive directors:				
Mr. Fang Hua	222	20	—	242
Mr. Zhu Jiangbo	185	21	—	206
Mr. Xu Hengfei	245	22	—	267
	<u>652</u>	<u>63</u>	<u>—</u>	<u>715</u>
	<u>887</u>	<u>85</u>	<u>—</u>	<u>972</u>

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2017				
Executive director and chief executive:				
Mr. Chen Xiaoliang	287	24	—	311
Executive directors:				
Mr. Fang Hua	269	24	—	293
Mr. Zhu Jiangbo	260	24	287	571
Mr. Xu Hengfei	251	24	—	275
	<u>780</u>	<u>72</u>	<u>287</u>	<u>1,139</u>
	<u>1,067</u>	<u>96</u>	<u>287</u>	<u>1,450</u>

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award scheme expense	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2018				
Executive director and chief executive:				
Mr. Chen Xiaoliang	399	26	—	425
Executive directors:				
Mr. Fang Hua	336	26	—	362
Mr. Zhu Jiangbo	332	26	863	1,221
Mr. Xu Hengfei	354	26	—	380
	<u>1,022</u>	<u>78</u>	<u>863</u>	<u>1,963</u>
	<u>1,421</u>	<u>104</u>	<u>863</u>	<u>2,388</u>

There were no fees and other emoluments payable to the non-executive and independent directors during the Relevant Periods.

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

10. FIVE HIGHEST PAID EMPLOYEES

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

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, bonuses, allowances and benefits in kind	1,415	3,310	4,033
Pension scheme contributions	101	131	145
Equity-settled share award expense	293	360	1,620
	<u>1,809</u>	<u>3,801</u>	<u>5,798</u>

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

	Number of employees		
	Year ended 31 December		
	2016	2017	2018
Nil to HKD1,000,000	5	4	—
HKD1,000,000 to HKD1,500,000	—	1	3
HKD1,500,000 to HKD2,000,000	—	—	1
	<u>5</u>	<u>5</u>	<u>4</u>

During the Relevant Periods, shares were granted to non-director and non-chief executive highest paid employees in respect of his services to the Group, further details of which are included in the disclosures in note 27 to the Historical Financial Information. The fair value of such award shares, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods is included in the above non-director and non-chief executive highest paid employee's remuneration disclosures.

11. INCOME TAX

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

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

Pursuant to the relevant tax ordinance of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

Under the relevant income tax law, the PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for HZ Duiba and HZ Tuia. HZ Duiba and HZ Tuia were certified as Software Enterprises and are exempted from income tax for two years starting from the first year in which they generate taxable profit, followed by a 50% reduction for the next three years.

HZ Duiba was subject to income tax at a statutory rate of 25% for the year ended 2015.

HZ Duiba was qualified as a High and New Technology Enterprise and was subject to a preferential income tax rate of 15% for the year ended 31 December 2016.

HZ Duiba and HZ Tuia were exempted from income tax for the years ended 31 December 2017 and 2018.

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

The major components of income tax expense/(credit) of the Group during the Relevant Periods are analysed as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current-Charge for the year	2	64	—
Deferred tax (note 24)	<u>(2,235)</u>	<u>191</u>	<u>(7,496)</u>
Total tax charge for the year/(credit) for the year	<u><u>(2,233)</u></u>	<u><u>255</u></u>	<u><u>(7,496)</u></u>

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate to the tax expense/(credit) at the effective tax rate is as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) before tax	<u>(89,672)</u>	<u>98,363</u>	<u>(299,078)</u>
Tax at the tax rate of 25%	(22,418)	24,590	(74,770)
Effect of tax rate differences in other jurisdictions	—	—	82,372
Effect of preferential lower tax rates entitled	8,647	(28,187)	(13,976)
Expenses not deductible for tax	12,844	333	3,006
Effect on different of tax rate between current tax and deferred tax	(267)	124	(7,496)
Effect of tax concessions	(1,321)	—	—
Tax losses not recognised	<u>282</u>	<u>3,395</u>	<u>3,368</u>
Tax charge/(credit) at the Group's effective rate	<u><u>(2,233)</u></u>	<u><u>255</u></u>	<u><u>(7,496)</u></u>

12. DIVIDENDS

No dividend was declared and paid by the Company since its incorporation.

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings/(loss) per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful due to the Reorganisation and the base of presentation of the results of the Group for the Relevant Periods as disclosed in note 2.1.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2016				
At 1 January 2016:				
Cost.....	135	205	359	699
Accumulated depreciation	(13)	(62)	(71)	(146)
Net carrying amount	<u>122</u>	<u>143</u>	<u>288</u>	<u>553</u>
At 1 January 2016, net of accumulated depreciation				
	122	143	288	553
Additions.....	369	1,525	—	1,894
Depreciation provided during the year ...	(142)	(229)	(34)	(405)
At 31 December 2016, net of accumulated depreciation	<u>349</u>	<u>1,439</u>	<u>254</u>	<u>2,042</u>
At 31 December 2016:				
Cost.....	504	1,730	359	2,593
Accumulated depreciation	(155)	(291)	(105)	(551)
Net carrying amount	<u>349</u>	<u>1,439</u>	<u>254</u>	<u>2,042</u>

	Leasehold improvements	Plant and machinery	Office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2017					
At 31 December 2016 and 1 January 2017:					
Cost.....	504	—	1,730	359	2,593
Accumulated depreciation	(155)	—	(291)	(105)	(551)
Net carrying amount	<u>349</u>	<u>—</u>	<u>1,439</u>	<u>254</u>	<u>2,042</u>
At 1 January 2017, net of					
accumulated depreciation	349	—	1,439	254	2,042
Additions.....	349	370	1,942	—	2,661
Disposal	—	—	(74)	—	(74)
Depreciation provided during the year	(266)	—	(729)	(34)	(1,029)
At 31 December 2017, net of accumulated depreciation	<u>432</u>	<u>370</u>	<u>2,578</u>	<u>220</u>	<u>3,600</u>
At 31 December 2017:					
Cost.....	853	370	3,472	359	5,054
Accumulated depreciation	(421)	—	(894)	(139)	(1,454)
Net carrying amount	<u>432</u>	<u>370</u>	<u>2,578</u>	<u>220</u>	<u>3,600</u>
31 December 2018					
At 31 December 2017 and 1 January 2018:					
Cost.....	853	370	3,472	359	5,054
Accumulated depreciation	(421)	—	(894)	(139)	(1,454)
Net carrying amount	<u>432</u>	<u>370</u>	<u>2,578</u>	<u>220</u>	<u>3,600</u>
At 1 January 2018, net of					
accumulated depreciation	432	370	2,578	220	3,600
Additions.....	4,838	542	4,257	—	9,637
Disposal	—	(699)	(527)	—	(1,226)
Depreciation provided during the year	(1,259)	(213)	(1,575)	(34)	(3,081)
At 31 December 2018, net of accumulated depreciation	<u>4,011</u>	<u>—</u>	<u>4,733</u>	<u>186</u>	<u>8,930</u>
At 31 December 2018:					
Cost.....	5,691	—	6,474	359	12,524
Accumulated depreciation	(1,680)	—	(1,741)	(173)	(3,594)
Net carrying amount	<u>4,011</u>	<u>—</u>	<u>4,733</u>	<u>186</u>	<u>8,930</u>

15. INTANGIBLE ASSETS

	<u>Software</u>
	<i>RMB'000</i>
31 December 2017	
At 1 January 2017:	
Cost	—
Accumulated amortisation	—
Net carrying amount	—
Additions	99
Amortisation provided during the year	(3)
At 31 December 2017	<u>96</u>
At 31 December 2017:	
Cost	99
Accumulated amortisation	(3)
Net carrying amount	<u>96</u>
	<u>Software</u>
	<i>RMB'000</i>
31 December 2018	
At 1 January 2018:	
Cost	99
Accumulated amortisation	(3)
Net carrying amount	<u>96</u>
Additions	900
Amortisation provided during the year	(102)
At 31 December 2018	<u>894</u>
At 31 December 2018:	
Cost	999
Accumulated amortisation	(105)
Net carrying amount	<u>894</u>

16. INVENTORIES

	<u>As at 31 December</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods	<u>—</u>	<u>188</u>	<u>—</u>

17. TRADE RECEIVABLES

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	4,556	14,653	115,103
Impairment	(179)	(179)	(140)
	<u>4,377</u>	<u>14,474</u>	<u>114,963</u>

Trade receivables are non-interest-bearing with credit terms ranging from 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction date and net of provisions, is as follows:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	3,777	12,982	95,198
31 to 90 days	74	620	18,225
91 to 180 days	5	158	1,453
181 to 365 days	521	389	38
1 to 2 years	—	325	46
2 to 3 years	—	—	3
	<u>4,377</u>	<u>14,474</u>	<u>114,963</u>

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	3,777	13,416	113,125
Over 2 months past due	600	1,058	1,838
	<u>4,377</u>	<u>14,474</u>	<u>114,963</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. The Group always recognises lifetime ECL for all trade receivables and measures the lifetime ECL on a specific basis to management's assessment of recoverability of an individual receivable. Management considers the number of days that an individual receivable is outstanding, historical experience and forward-looking information to determine the recoverability of the trade receivables. During the Relevant Periods, impairment provision with the amount of nil, nil and RMB613,000 was provided as at the end of each of the Relevant Periods, respectively.

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At beginning of year	179	179	179
Impairment losses recognised	—	—	613
Amount written off as uncollectible	—	—	(652)
At end of the year	<u>179</u>	<u>179</u>	<u>140</u>

Impairment under HKFRS 9 for the Relevant Periods

An impairment analysis was made based on expected credit loss model on the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates by considering the age of the balance, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence from macro economy.

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

As at 31 December 2018

	Trade receivables ageing:				
	Less than one year	1 to 2 years	2 to 3 years	More than 3 years	Total
Expected credit loss rate	0.09%	34.29%	72.73%	100.00%	0.12%
Gross carrying amount RMB'000	115,022	70	11	—	115,103
Expected credit losses RMB'000	108	24	8	—	140

As at 31 December 2017

	Trade receivables ageing:				Total
	Less than one year	1 to 2 years	2 to 3 years	More than 3 years	
Expected credit loss rate	—	—	100.00%	100.00%	1.22%
Gross carrying amount RMB'000	14,149	325	—	179	14,653
Expected credit losses RMB'000	—	—	—	179	179

As at 31 December 2016

	Trade receivables ageing:				Total
	Less than one year	1 to 2 years	2 to 3 years	More than 3 years	
Expected credit loss rate	—	100.00%	100.00%	100.00%	3.93%
Gross carrying amount RMB'000	4,377	—	169	10	4,556
Expected credit losses RMB'000	—	—	169	10	179

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Deposits and other receivables	659	2,328	1,755
Prepaid expenses	333	648	2,443
Prepayments	2,438	10,680	43,085
Other current assets	126	490	1,266
	<u>3,556</u>	<u>14,146</u>	<u>48,549</u>
Less:			
Prepaid expenses, non-current portion	81	—	1,353
Other receivables, non-current portion	73	327	626
	<u>3,402</u>	<u>13,819</u>	<u>46,570</u>

Other receivables are non-interest-bearing, unsecured and repayable on demand.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted investments:			
Investments in financial products at fair value	<u>24,769</u>	<u>224,882</u>	<u>426,172</u>

As at 31 December 2016, the Group had investments in financial products of RMB24,769,000 issued by banks in the PRC with expected interest rates of 2.3%~4.0% per annum with no maturity period. The fair values of the investments approximate to their cost plus expected interest.

As at 31 December 2017, the Group had investments in financial products of RMB124,882,000 issued by banks in the PRC with expected interest rates of 3.4%~4.1% per annum with no maturity period. The fair values of the investments approximate to their cost plus expected interest. As at 31 December 2017, investment in certain financial products of RMB100,000,000 represented financial products issued by licensed financial institutions in the PRC with fair values were derived from quoted price in an active market.

As at 31 December 2018, the Group had investments in financial products of RMB263,361,000 issued by banks and licensed financial institutions in the PRC and HK with expected interest rates of 1.8%~4.9% per annum with no maturity period and RMB131,430,000 with expected interest rate of 2.0%~5.1% with maturity period of one to three months. The fair values of the investments approximate to their cost plus expected interest. As at 31 December 2018, investment in certain financial products of RMB31,381,000 represented financial products issued by banks and licensed financial institutions in the PRC with fair values were derived from quoted price in an active market.

20. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	<u>20,852</u>	<u>90,790</u>	<u>281,565</u>
Denominated in RMB	20,852	90,790	256,385
Denominated in USD	—	—	25,180
Cash and cash equivalents	<u>20,852</u>	<u>90,790</u>	<u>281,565</u>

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposit is made for periods of one month and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

21. TRADE PAYABLES

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<u>4,915</u>	<u>93,087</u>	<u>63,209</u>

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the transaction date, is as follows:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	4,894	60,879	45,082
31 to 90 days	—	19,157	10,867
91 to 180 days	—	10,874	2,928
181 to 365 days	21	2,026	2,193
Over 365 days	<u>—</u>	<u>151</u>	<u>2,139</u>
	<u>4,915</u>	<u>93,087</u>	<u>63,209</u>

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

22. ADVANCES FROM CUSTOMERS, OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Advances from customers	13,970	27,419	16,135
Payroll payable	15,405	38,509	61,567
Other payables	1,263	6,472	8,458
Taxes payable other than corporate income tax	2,088	17,795	2,283
	<u>32,726</u>	<u>90,195</u>	<u>88,443</u>

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

23. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

On 2 September 2014, HZ Duiba issued Series Seed redeemable preferred shares (“Series Seed”) to a third-party investor for RMB2,250,000.

On 18 March 2015, HZ Duiba issued Series A redeemable preferred shares (“Series A”) to two third-party investors for RMB7,800,000.

On 31 December 2015, HZ Duiba issued Series B redeemable preferred shares (“Series B”) to four third-party investors for RMB27,000,000.

On 28 May 2018, Duiba HK entered into several equity transfer agreements with the then shareholders of HZ Duiba and acquired 100% equity interest of HZ Duiba, as a result, the Preferred rights of Series Seed, Series A and Series B were terminated.

On 31 May 2018, the Company entered into a share purchase agreement with the holders of the Series Angel preferred shares (“Series Angel”) and pursuant to which the Company issued 13,759,200 Series Angel to three third-party investors for RMB6,421,000.

On 31 May 2018, the Company repurchased 1,800,000 Series Angel preferred shares from Li Lingling for a cash consideration of RMB64,144,000.

On 31 May 2018, the Company entered into share purchase agreements with the Series C Investors and pursuant to which the Company issued 19,000,000 Series C preferred shares (“Series C”) to two third-party investors for RMB705,584,000.

The key term of the preferred shares are summarised as follows:

(1) Voting

The holders of Series Seed, Series A and Series B preferred shares (collectively “Old preferred shares”) are entitled to the number of votes equal to the number of shares.

The holders of Series Angel and Series C preferred shares (collectively “New preferred shares”) shall be entitled to the number of votes equal to the number of Ordinary Shares into which such series of the New preferred shares could be converted at the record date for determination of the Members entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of Members is solicited.

(2) Dividends

The holders of Old preferred shares are entitled to receive dividend from HZ Duiba with no preferential basis.

The holders of the New preferred shares shall be entitled to receive dividends from the Company, out of any funds legally available therefor, at the amount distributed among the junior Shares (including but not limited to Ordinary Shares) pro rata based on the number of Ordinary Shares held by each holder of the New preferred shares (calculated on an as-converted basis).

(3) Liquidation

Upon any liquidation, dissolution or winding up of HZ Duiba, distributions to the Members of HZ Duiba shall be made in the following manner:

- a) Firstly, before any distribution or payment shall be made to the holders of Ordinary Shares, each holder of Series Seed shall be entitled to receive an annual compound interest rate of 8% of its investment; each holder of Series B shall be entitled to receive the higher dividend of the followings: i) annual interest rate of 12% minus the consideration received before the liquidation; ii) the liquidation net assets multiply the percentage of shares as the liquidation date and minus the consideration received before the liquidation;
- b) After distribution or payment in full of the amount distributable or payable on the Series Seed and Series B pursuant to paragraph (a), the remaining assets of HZ Duiba available for distribution to Members shall be distributed ratably among the holders of outstanding Ordinary Shares and the holders of outstanding preferred shares in proportion to the number of outstanding Ordinary Shares held by them.

Upon any liquidation, dissolution or winding up of the Company and/or any Group Company, either voluntary or involuntary, distributions to the Members of the Company shall be made in the following manner:

- a) Firstly, before any distribution or payment shall be made to any other holders of Series Angel preferred shares and Ordinary Shares, each holder of Series C preferred shares shall be entitled to receive, on parity with each other, an amount equal to (the "Series C preferred shares Liquidation Preference Amount"): one hundred percent (100%) of the applicable Series C Original Issue Price, plus all dividends declared and unpaid with respect thereto per Series C preferred shares, then held by such holder. If, upon any liquidation, dissolution, or winding up, the assets of the Company shall be insufficient to make payment of the foregoing amounts in full on all Series C preferred shares, then such assets shall be distributed among the holders of Series C preferred shares ratably in proportion to the full amounts to which they would otherwise be respectively entitled thereon.
- b) Secondly, after setting aside or paying in full the Series C preferred shares Liquidation Preference Amount, each holder of Series Angel preferred shares shall be entitled to receive, on parity with each other, an amount equal to one hundred percent (100%) of the Series Angel Original Issue Price, plus (ii) all dividends declared and unpaid with respect thereto per Series Angel preferred shares, then held by such holder (the "Series Angel preferred shares Liquidation Preference"). If, upon any liquidation, dissolution, or winding up, after setting aside or paying in full the Series C preferred shares Liquidation Preference, the remaining assets of the Company shall be insufficient to make payment of the foregoing amounts in full on all Series Angel preferred shares, then such assets shall be distributed among the holders of Series Angel preferred shares ratably in proportion to the full amounts to which they would otherwise be respectively entitled thereon.
- c) After distribution or payment in full of the amount distributable or payable on the preferred shares pursuant to paragraph (a) and (b) above, the remaining assets of the Company available for distribution to Members shall be distributed ratably among the holders of outstanding Ordinary Shares and the holders of outstanding preferred shares in proportion to the number of outstanding Ordinary Shares held by them (with outstanding preferred shares treated on an as-if-converted basis).

(4) Conversion

The holders of the New preferred shares have the following conversion rights described below with respect to the conversion of the New preferred shares into Ordinary Shares. The number of Ordinary Shares to which a holder shall be entitled upon conversion of any Series C preferred shares shall be the quotient of the applicable Series C Original Issue Price divided by the then-effective Series C Conversion Price. The "Series C Conversion Price" shall initially equal the applicable Series C Original Issue Price, and each shall be adjusted from time to time as provided in the 1.C of the Company.

The number of Ordinary Shares to which a holder shall be entitled upon conversion of any Series Angel preferred shares shall be the quotient of the Series Angel Original Issue Price divided by the then-effective Series Angel Conversion Price. The "Series Angel Conversion Price" shall initially equal the Series Angel Original Issue Price, and each shall be adjusted from time to time as provided in Article the 1.C of the Company. For the avoidance of doubt, the initial conversion ratio for Series Angel preferred shares to Ordinary Shares shall be 1:1.

(5) Redemption

The holders of Series Seed preferred shares have the option to demand redemption in 60 months after the investment, according to the higher of i) the issue price plus annual compound interest rate of 8% of its investment, then minus the consideration received before the liquidation; ii) the liquidation net assets multiply the percentage of shares as the liquidation date.

The holders of Series A and Series B preferred shares have the option to demand redemption upon the earlier of (i) if no qualified IPO has been consummated by certain dates (before 31 December 2020); (ii) any material breach by the Target Group or any common shareholders of the Target Group of any of its/his respective warranties and undertakings set forth in the purchase agreement, or (iii) any redemption requests made by any shareholders of the Series A and Series B preferred shares. The redemption price was the issue price plus annual interest rate of 12% minus the consideration received before the redemption.

The holders of New preferred shares have the option to demand redemption upon the earlier of (i) if no qualified IPO within thirty-six (36) months after the Series C original issue date; (ii) any material breach by the Target Group or any common shareholders of the Target Group of any of its/his respective warranties and undertakings set forth in the purchase agreement, or (iii) any redemption requests made by any shareholders of the New preferred shares. Redemption price shall equal to: the applicable issue price $\times(1+10\%)^N$, plus all accrued and unpaid dividends thereon; N = a fraction the numerator of which is the number of calendar days between the Applicable Original Issue Date and the Redemption Date and the denominator of which is 365.

	Series Seed	Series A	Series B	Series C	Series Angel	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2016	5,684	9,136	27,000	—	—	41,820
Changes in fair value	<u>23,943</u>	<u>28,634</u>	<u>31,678</u>	<u>—</u>	<u>—</u>	<u>84,255</u>
As at 31 December 2016	29,627	37,770	58,678	—	—	126,075
Changes in fair value	<u>6,131</u>	<u>6,775</u>	<u>5,699</u>	<u>—</u>	<u>—</u>	<u>18,605</u>
As at 31 December 2017	35,758	44,545	64,377	—	—	144,680
Changes in fair value	<u>42,229</u>	<u>47,660</u>	<u>51,490</u>	<u>—</u>	<u>312,213</u>	<u>453,592</u>

	Series Seed	Series A	Series B	Series C	Series Angel	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Conversion of preferred shares issued to the then shareholders to ordinary shares	(33,405)	(41,159)	(79,480)	—	—	(154,044)
Issue of preferred shares	—	—	—	705,584	6,421	712,005
Replacement of Series Angel	(44,582)	(51,046)	(36,387)	—	132,015	—
Repurchase of preferred shares	—	—	—	—	(64,144)	(64,144)
Currency translation differences	—	—	—	49,368	9,934	59,302
As at 31 December 2018	<u>—</u>	<u>—</u>	<u>—</u>	<u>754,952</u>	<u>396,439</u>	<u>1,151,391</u>

The Company or HZ Duiba have used the Market Approach or Backsolve Method when applicable to determine the underlying share value of the Company or HZ Duiba and adopted equity allocation model to determine the fair value of the preferred shares as of the dates of issuance and at the end of each relevant periods.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2016, 2017 and 2018.

Significant unobservable inputs

	As of 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Time to exit event	2 years	1 year	0.5 year
Risk-free rate	2.8%	3.8%	3.3%
Equity volatility	66.8%	41.6%	46.2%
DLOM-Series Seed	22.0%	10.0%	N/A
DLOM-Series A	18%	8.5%	N/A
DLOM-Series B	11.5%	6.5%	N/A
DLOM-Series C	N/A	N/A	4.0%
DLOM-Series Angel	N/A	N/A	9.0%

Quantitative sensitivity analysis

	As of 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
1 year increase in time to exit event	(3,505)	(3,552)	(63,943)
1% increase in risk-free rate	(275)	(112)	(497)
1% decrease in risk-free rate	282	124	501
10% increase in equity volatility	317	277	(14,994)
10% decrease in equity volatility	(456)	(195)	15,033
5% increase in DLOM	(7,605)	(7,862)	(61,115)
5% decrease in DLOM	7,605	7,862	53,251

24. DEFERRED TAX

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

Deferred tax assets

	Accrued expenses	Payroll payable	Loss available for offsetting against future taxable profit	Impairment of trade receivables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	22	257	810	—	1,089
Deferred tax credited to profit or loss during the year	28	846	1,383	—	2,257
At 31 December 2016 and 1 January 2017	50	1,103	2,193	—	3,346
Deferred tax credited/(charged) to profit or loss during the year	(50)	968	(1,131)	—	(213)
At 31 December 2017 and 1 January 2018	—	2,071	1,062	—	3,133
Deferred tax credited to profit or loss during the year	337	1,968	5,429	10	7,744
At 31 December 2018	337	4,039	6,491	10	10,877

Deferred tax liabilities

	Changes in fair value of financial assets at fair value through profit or loss
	<i>RMB'000</i>
At 1 January 2016	—
Deferred tax charged to profit or loss during the year	<u>22</u>
At 31 December 2016 and 1 January 2017	22
Deferred tax credited to profit or loss during the year	<u>(22)</u>
At 31 December 2017 and 1 January 2018	—
Deferred tax charged to profit or loss during the year	<u>248</u>
Deferred tax as at 31 December 2018	<u><u>248</u></u>

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

None of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities has not been recognised at 31 December 2016, 2017 and 2018, respectively.

The Group has tax losses arising in Mainland China of RMB8,768,000, RMB8,501,000 and RMB51,925,000 as at 31 December 2016, 2017 and 2018 that will expire in one to five years for offsetting against taxable profits.

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

At each of the end of the Relevant Periods, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. There were no temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised at 31 December 2018.

25. SHARE CAPITAL

Group and Company

The Company was incorporated on 26 February 2018, the authorised share capital of the Company is USD50,000 divided into 467,240,800 ordinary shares of a nominal or par value of USD0.0001 each and 30,959,200 preferred shares of a nominal or par value of USD0.0001, among which 11,959,200 shares are designated as Series Angel preferred shares and 19,000,000 shares are designated as Series C preferred shares (among which 9,000,000 shares are designated as Series C-1 preferred shares and 10,000,000 shares are designated as Series C-2 preferred shares).

	<u>As at 31 December 2018</u>
Issued and fully paid in USD	<u>10,000</u>
Equivalent to RMB	<u>64,000</u>

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

	<i>Notes</i>	<u>Number of shares in issue</u>	<u>Share capital</u>	<u>Share premium account</u>	<u>Total</u>
			<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2018					
Shares issued	(a)	76,240,800	49	35,530	35,579
Shares repurchased	(b)	<u>(7,200,000)</u>	<u>(5)</u>	<u>(3,355)</u>	<u>(3,360)</u>
At 31 December 2018		<u>69,040,800</u>	<u>44</u>	<u>32,175</u>	<u>32,219</u>

Notes:

- (a) Pursuant to the shareholders' resolution passed on 31 May 2018, 76,240,800 shares of ordinary shares were issued for a consideration of USD5,547,000 (equivalent to approximately RMB35,579,000).

On 31 May 2018, the Company entered into a share purchase agreement with the Series Angel Investors and pursuant to which the Company issued 13,759,200 shares of Series Angel preferred shares at a price of USD0.07 per share with total consideration of USD1,001,000 (equivalent to approximately RMB6,421,000). The issuance of the Series Angel preferred shares was completed on 31 May 2018.

On 31 May 2018, the Company entered into share purchase agreements with the Series C Investors and pursuant to which the Company issued 19,000,000 shares of Series C preferred shares at a price of USD5.79 per share with total consideration of USD110,000,000 (equivalent to approximately RMB705,584,000). The issuance of the Series C preferred shares was completed on 31 May 2018.

- (b) The Company repurchased 7,200,000 of its ordinary shares in 2018 at a total cash consideration of USD40,000,000 which was fully paid. The Company repurchased 1,800,000 of its Series Angel preferred shares in 2018 at a total cash consideration of USD10,000,000 which was fully paid. The purchased shares were cancelled in 2018 and the total considerations for the purchase of shares of USD50,000,000 has been fully paid by the Company.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages I-7 to I-8 of Historical Financial Information.

Statutory surplus reserve

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

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

Capital reserve

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

27. SHARE AWARD

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

Restricted Stock Unit Scheme

On 11 June 2015, equity interest in HZ Duiba was granted to 4 selected employees for a consideration of RMB26,690. There is no performance target required.

On 26 October 2015, equity interest in HZ Duiba was granted to 4 selected employees for a consideration of RMB8,450. There is no performance target required.

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

At the same time, equity interest in HZ Duiba ESOP CO.I of approximately 6.91%, representing an effective equity interest of 0.52% in HZ Duiba, was granted to 2 selected employees with no consideration. There is no performance target required except the eligible participant remains as an employee of the Group during the vesting period.

On 14 June 2017, equity interest in HZ Duiba ESOP CO.I of approximately 31.97%, representing an effective equity interest of 2.42% in HZ Duiba, was granted to 25 selected employees with no consideration. There is no performance target required except the eligible participant remains as an employee of the Group during the vesting period.

On 25 December 2017, equity interest in HZ Duiba ESOP CO.I of approximately 28.14%, representing an effective equity interest of 2.13% in HZ Duiba, was granted to 27 selected employees with no consideration. There is no performance target required except the eligible participant remains as an employee of the Group during the vesting period.

On 5 January 2018, HZ Duiba ESOP CO.II which is another PRC Share Incentive Entity of the Group subscribed for an approximate 1.89% equity interest in HZ Duiba. Mr. Xiaoliang Chen, being a supervisor of HZ Duiba, subscribed for equity interest in Kede by way of entering into partnership agreement.

At the same time, equity interest in HZ Duiba ESOP CO.II of approximately 4.89%, representing an effective equity interest of 0.37% in HZ Duiba, was granted to 20 selected employees with no consideration. There is no performance target required except the eligible participant remains as an employee of the Group during the vesting period.

On 23 March 2018, equity interest in HZ Duiba ESOP CO.II of approximately 4.72%, representing an effective equity interest of 0.40% in HZ Duiba, was granted to 22 selected employees with no consideration. There is no performance target required except the eligible participant remains as an employee of the Group during the vesting period.

On 28 May 2018, equity interest in HZ Duiba ESOP CO.II of approximately 1.69%, representing an effective equity interest of 0.13% in HZ Duiba, was granted to 1 selected employee with no consideration. There is no performance target required except the eligible participant remains as an employee of the Group during the vesting period.

For the grants of Restricted Stock Unit Scheme on 11 June 2015 and 26 October 2015, there are no service period or performance target requirements for the eligible employees. For other grants, there is no performance target requirements for the eligible employees. From 2016, when the participant of the PRC Share Incentive Entity ceased to be the Group's employee in first year, second year or third year, respectively 90%, 60% or 30% of unvested shares would be retained by the partnership.

The fair value of share award during the Relevant Periods was estimated as at the date of grant using market approach (in particular, recent round financing method), taking into account the terms and conditions upon which the shares were awarded.

During the years ended 31 December 2016, 2017 and 2018, share award expense of RMB293,000, RMB1,991,000 and RMB9,161,000, respectively, were charged to profit or loss.

Restricted Stock Unit Option Incentive Scheme

The shareholder of the Company, adopted a Restricted Stock Unit Option Incentive Scheme on 1 November 2018 (the "Scheme"). The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the Group's services for 42 months or 48 months at least. Eligible participants of the Scheme include senior management members who serve as financial managers and company secretaries at the Group as well as other core technical personnel, key personnel or other natural persons or entities that were or will be important to the development of the Group.

For the grants of Restricted Stock Unit Option Incentive Scheme on 1 November 2018, parts of options granted to the grantees shall not be exercised within 6 months from the date of signing the option incentive agreement under the Scheme; 10% of the options granted shall become exercisable by the grantees between 6 months (inclusive of the 6 months anniversary) and 18 months (exclusive of the 18 months anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units; another 30% of the options granted shall become exercisable by the grantees between 18 months (inclusive of the 18 months anniversary) and 30 months (exclusive of the 30 months anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units; another 30% of the options granted shall become exercisable by the grantees between 30 months (inclusive of the 30 months anniversary) and 42 months (exclusive of the 42 months anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units; another 30% of the options granted shall become exercisable by the grantees after 42 months (inclusive of the 42 months anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units. Another parts of options granted to the grantees shall not be exercised within 12 months from the date of signing the option incentive agreement under the Scheme; 10% of the options granted shall become exercisable by the grantees between 12 months (inclusive of the 12 months anniversary) and 24 months (exclusive of the 24 months anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units; another 30% of the options granted shall become exercisable by the grantees between 24 months (inclusive of the 24 months anniversary) and 36 months (exclusive of the 36

months anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units; another 30% of the options granted shall become exercisable by the grantees between 36 months (inclusive of the 36 months anniversary) and 48 months (exclusive of the 48 months anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units; another 30% of the options granted shall become exercisable by the grantees after 48 months (inclusive of the 48 months anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2018 Number of options ('000)	Exercise price USD	Exercise period
195	—	2019/05/01-2020/04/30 or 2019/11/01-2020/10/31
579	—	2020/05/01-2021/04/30 or 2020/11/01-2021/10/31
579	—	2021/05/01-2022/04/30 or 2021/11/01-2022/10/31
579	—	after 2022/05/01 or 2022/11/01
1,932	—	—

The fair value of the options granted in the year of 2018 was USD5,640,000 (USD2.90 each), of which the Group recognised a share option expense of RMB3,086,000 during the year ended 31 December 2018.

28. CONTINGENT LIABILITIES

As at 31 December 2016, 2017 and 2018, the Group had no significant contingent liabilities.

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Financial liabilities at fair value through profit or loss
	<i>RMB'000</i>
At 1 January 2016	41,820
Changes in fair value	<u>84,255</u>
At 31 December 2016 and 1 January 2017	126,075
Changes in fair value	<u>18,605</u>
At 31 December 2017 and 1 January 2018	144,680
Changes from financing cash flows	647,861
Conversion of preferred shares issued to the then shareholders to ordinary shares	(154,044)
Dividends declared	—
Currency translation differences	59,302
Changes in fair value	<u>453,592</u>
At 31 December 2018	<u><u>1,151,391</u></u>

30. OPERATING LEASE ARRANGEMENTS

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 12 to 36 months. As at 31 December 2016, 2017 and 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,046	3,194	6,088
In the second to fifth years, inclusive	<u>175</u>	<u>2,138</u>	<u>2,787</u>
	<u><u>1,221</u></u>	<u><u>5,332</u></u>	<u><u>8,875</u></u>

31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Group had the following capital commitments as at 31 December 2016, 2017 and 2018:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:			
Leasehold improvement	<u>—</u>	<u>—</u>	<u>1,050</u>

32. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Group
Mr. Chen Xiaoliang	Director

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

Advance to a director

Name	At 31 December 2018	Maximum amount outstanding during the year	At 31 December 2017 and 1 January 2018	Maximum amount outstanding during the year	At 31 December 2016 and 1 January 2017	Maximum amount outstanding during the year	At 1 January 2016	Security held
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Mr. Chen Xiaoliang	<u>—</u>	<u>11,888</u>	<u>11,888</u>	<u>12,659</u>	<u>12,659</u>	<u>12,659</u>	<u>8,675</u>	None

The amount due from a director is non-trade in nature, unsecured, interest-free and repayable on demand.

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

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Short term employee benefits	1,464	2,971	3,850
Equity-settled share award expense	—	574	1,893
Pension scheme contributions	120	172	203
Total compensation paid to key management personnel	<u>1,584</u>	<u>3,717</u>	<u>5,946</u>

Further details of directors' and the chief executive's emoluments are included in note 9 to the Historical Financial Information.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets — at amortised cost

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	4,377	14,474	114,963
Financial assets included in prepayments, deposits and other receivables	785	2,818	3,021
Due from a director	12,659	11,888	—
Cash and cash equivalents	20,852	90,790	281,565
	<u>38,673</u>	<u>119,970</u>	<u>399,549</u>

Financial assets — at fair value through profit or loss

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss	<u>24,769</u>	<u>224,882</u>	<u>426,172</u>

Financial liabilities — at amortised cost

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	4,915	93,087	63,209
Financial liabilities included in advances from customers, other payables and accruals	<u>1,263</u>	<u>6,472</u>	<u>8,458</u>
	<u>6,178</u>	<u>99,559</u>	<u>71,667</u>

Financial liabilities — at fair value through profit or loss

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities at fair value through profit or loss .	<u>126,075</u>	<u>144,680</u>	<u>1,151,391</u>

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2016, 2017 and 2018, the fair values of the Group's financial assets or financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, amount due from directors, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in advances from customers, other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

The fair values of the non-current portion of pledged deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of the financial liabilities at fair value through profit or loss is estimated by market approach and equity allocation model to determine the fair value.

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

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

Financial assets

As at 31 December 2016

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss:				
Investments in financial products	<u>—</u>	<u>24,769</u>	<u>—</u>	<u>24,769</u>

As at 31 December 2017

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss:				
Investments in financial products	<u>100,000</u>	<u>124,882</u>	<u>—</u>	<u>224,882</u>

As at 31 December 2018

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss:				
Investments in financial products	<u>31,381</u>	<u>394,791</u>	<u>—</u>	<u>426,172</u>

Financial liabilities

As at 31 December 2016

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities at fair value through profit or loss	<u>—</u>	<u>—</u>	<u>126,075</u>	<u>126,075</u>

As at 31 December 2017

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities at fair value through profit or loss	—	—	144,680	144,680

As at 31 December 2018

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities at fair value through profit or loss	—	—	1,151,391	1,151,391

The changes in Level 3 instruments of preferred shares and a summary of significant unobservable inputs to the valuation of these financial instruments together with a quantitative sensitivity analysis for the years ended 31 December 2016, 2017 and 2018 are presented in note 23.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency risk

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

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

	<u>Increase/ (decrease) in rate of foreign currency</u>	<u>Increase/ (decrease) in profit/(loss) before tax</u>	<u>Increase/ (decrease) in equity</u>
	%	RMB'000	RMB'000
Years ended 31 December 2016			
If RMB weakens against USD	—	—	—
If RMB strengthens against USD	—	—	—
Years ended 31 December 2017			
If RMB weakens against USD	—	—	—
If RMB strengthens against USD	—	—	—
Years ended 31 December 2018			
If RMB weakens against USD	5	(2,000)	(16,070)
If RMB strengthens against USD	(5)	2,000	16,070

Credit risk

The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the executive directors.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amount due from a director, trade receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(i) Credit risk of trade receivables

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers

is usually no more than 60 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. The expected loss allowance provision for these balances was not material during the Relevant Periods. In view of the sound collection history of receivables, management believes that the credit risk inherent in the Group's outstanding trade receivable balances is not significant.

In calculating the expected credit loss rate, the Group considers the historical loss rates for its customers, and adjust for forward looking macroeconomic data.

As of 31 December 2016, when assessing the expected credit loss associated with trade receivables, the Group estimated the expected loss rate of close to zero on the current trade receivables and trade receivables aged less than one year and 100% on the trade receivables aged over one year.

As of 31 December 2017, when assessing the expected credit loss associated with trade receivables, the Group estimated the expected loss rate of close to zero on the current trade receivables and trade receivables aged less than two years and 100% on the trade receivables aged over two years.

As of 31 December 2018, when assessing the expected credit loss associated with trade receivables, the Group estimated the expected loss rate of 0.09% on the current trade receivables and 34.29% on the trade receivables aged between one and two years, 72.73% on the trade receivables aged between two to three years and 100% on the trade receivables aged over three years.

(ii) *Credit risk of other receivables and amount due from a director*

For the amount due from a director and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of the amount due from a director and other receivables based on historical settlement records and past experiences. As at 31 December 2016, 2017 and 2018, the credit rating of other receivables and the amount due from a director were performing. The Group assessed that the expected credit losses for these receivables and the amount due from a director were not material under the 12 months expected losses method. In view of the history of cooperation with debtors and the sound collection history of receivables, management believes that the credit risk inherent in the Group's outstanding other receivable balances and the amount due from a director is not significant. The expected credit loss rate is close to zero.

(iii) *Credit risk of cash and cash equivalents*

To manage this risk arising from cash and cash equivalents, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

	31 December 2016					
	On demand	Less than 1 months	1 to 12 months	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	21	4,894	—	—	—	4,915
Financial liabilities at fair value through profit or loss	—	—	—	88,304	37,771	126,075
Financial liabilities included in advances from customers, other payables and accruals	1,263	—	—	—	—	1,263
	<u>1,284</u>	<u>4,894</u>	<u>—</u>	<u>88,304</u>	<u>37,771</u>	<u>132,253</u>
	31 December 2017					
	On demand	Less than 1 months	1 to 12 months	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	32,208	60,879	—	—	—	93,087
Financial liabilities at fair value through profit or loss	—	—	—	144,680	—	144,680
Financial liabilities included in advances from customers, other payables and accruals	6,472	—	—	—	—	6,472
	<u>38,680</u>	<u>60,879</u>	<u>—</u>	<u>144,680</u>	<u>—</u>	<u>244,239</u>
	31 December 2018					
	On demand	Less than 1 months	1 to 12 months	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	18,128	45,081	—	—	—	63,209
Financial liabilities at fair value through profit or loss	—	—	—	1,151,391	—	1,151,391
Financial liabilities included in advances from customers, other payables and accruals	8,458	—	—	—	—	8,458
	<u>26,586</u>	<u>45,081</u>	<u>—</u>	<u>1,151,391</u>	<u>—</u>	<u>1,223,058</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes trade payables, advances from customers, other payables and accruals, financial liabilities at fair value through profit or loss, less cash and cash equivalents. The gearing ratios as at the end of the Relevant Periods were as follows:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	4,915	93,087	63,209
Advances from customers, other payables and accruals	32,726	90,195	88,443
Financial liabilities at fair value through profit or loss	126,075	144,680	1,151,391
Less: Cash and cash equivalents	<u>(20,852)</u>	<u>(90,790)</u>	<u>(281,565)</u>
Net debt	142,864	237,172	1,021,478
Total equity/(net deficiency in assets)	<u>(92,110)</u>	<u>7,989</u>	<u>(431,998)</u>
Total capital and net debt	<u>50,754</u>	<u>245,161</u>	<u>589,480</u>
Gearing ratio	<u>281%</u>	<u>97%</u>	<u>173%</u>

36. EVENTS AFTER THE REPORTING PERIOD

There are no significant events that require additional disclosure or adjustments occurred after the Relevant Periods.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 as if Global Offering had taken place on December 31, 2018.

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at December 31, 2018 or any future date.

	Consolidated net tangible liabilities attributable to owners of the Company as at December 31, 2018	Estimated net proceeds from the Global Offering	Estimated impact related to the change of terms of Preferred Shares upon Listing	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB)</i>	<i>(HK\$)</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>		<i>(Note 4)</i>	<i>equivalent (Note 5)</i>
Based on Offer price of HK\$6.00 per Share	(432,892)	531,859	1,151,391	1,250,358	1.13	1.31
Based on Offer price of HK\$8.10 per Share	(432,892)	723,798	1,151,391	1,442,297	1.30	1.51

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The consolidated net tangible liabilities attributable to owners of the Company as at December 31, 2018 is arrived at after deducting intangible assets of RMB894,000 from the consolidated net liabilities attributable to owners of the Company of RMB431,998,000 as at December 31, 2018, as shown in the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are calculated based on the offer price of HK\$6.00 per Share or HK\$8.10 per Share, being the low-end price and high-end price, after deduction of the underwriting fees and related expenses payable by the Company (excluding listing expenses of RMB25,188,000 charged to profit or loss during the Track Record Period) and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option.
- (3) Upon the Listing and the completion of the Global Offering, all the Preferred Shares will be converted into Ordinary Shares. The Preferred Shares will be re-classified from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to the owners of the Company will be increased by RMB1,151,391,000, being the carrying amount of the Preferred Shares as of December 31, 2018.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share are calculated based on 1,111,111,200 Shares in issue (including the completion of the conversion of Preferred Shares into Ordinary Shares and the completion of the Share Subdivision) assuming that the Global Offering has been completed on December 31, 2018 without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased under the general mandates for the allotment and issue or repurchase of the Shares as described in "Statutory and General Information — About Our Company — 3. Resolutions of the Shareholders passed on April 17, 2019" in Appendix IV to this prospectus.
- (5) The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.8569 to HK\$1.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**



22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

To the Directors of Duiba Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Duiba Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2018, and related notes as set out on pages II-1 to II-2 of the prospectus dated 24 April 2019 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in notes 1 to 5 of Appendix II(A).

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 December 2018 as if the transaction had taken place at 31 December 2018. As part of this process, information about the Group’s financial position, has been extracted by the Directors from the Group’s financial statements for the period ended 31 December 2018, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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 behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, 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 accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 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 Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if 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 transaction would have been as presented.

A reasonable assurance engagement to report on whether the 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

APPENDIX II 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 Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

24 April 2019

This appendix contains a summary of the Memorandum and Articles of Association. As the information set out below is in summary form, it does not contain all 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 our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 26, 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on April 17, 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

- (a) **Shares**
 - (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) *Power of the Company to purchase its own shares*

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) **Directors**

(i) *Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power

conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings and extraordinary general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) ***Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised

financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up,

provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of thirty years from November 13, 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman

Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands (“ES Law”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Law. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company’s special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed “Documents Available for Inspection” in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on February 26, 2018. Its registered address is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Our Company was registered in Hong Kong under Part 16 of the Hong Kong Companies Ordinance as a non-Hong Kong company on August 28, 2018 and our principal place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. In compliance with the requirements of the Hong Kong Companies Ordinance, Ms. Ng Ka Man of 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong has been appointed as the agent for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

Since our Company was incorporated in the Cayman Islands, our Group's operation is subject to the relevant laws and regulations of the Cayman Islands as well as our Company's constitution which comprises the Memorandum and the Articles of Association. A summary of certain parts of our Company's constitution and certain relevant aspects of Cayman Companies Law is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

At the date of incorporation, the authorized share capital of our Company was US\$50,000.00, divided into 500,000,000 shares with a par value of US\$0.0001 each.

The following sets forth the changes in the share capital of our Company during the two years immediately preceding the date of this prospectus:

(a) On May 31, 2018:

(i) the authorized share capital of our Company was reclassified and re-designated as follows:

- 467,240,800 Ordinary Shares of a par value of US\$0.0001 each . . US\$46,724.08
- 32,759,200 Preferred Shares of a par value of US\$0.0001 each
comprising:
 - 13,759,200 Series Angel Preferred Shares US\$1,375.92
 - 9,000,000 Series C-1 Preferred Shares US\$900.00
 - 10,000,000 Series C-2 Preferred Shares US\$1,000.00

and the then only one issued share registered in the name of XL Holding was classified and re-designated as an Ordinary Share;

- (ii) our Company allotted and issued an aggregate of 76,240,799 Ordinary Shares, fully paid up, for a total subscription amount of US\$5,546,745, or a subscription price of approximately US\$0.07 per share, as follows:

Subscriber	Number of shares	Subscription price (US\$)
XL Holding	47,455,199	3,452,507
Mr. Chen Xiaoliang	7,200,000	523,821
Duiba ESOP Co.	6,805,710	495,136
Hengfei Holding Limited	2,782,440	202,431
Fanghua Holding Limited	1,369,980	99,670
Shanhong Holding Limited	682,470	49,652
Lilingling Holding Limited	2,700,000	196,433
Lingxi Holding Limited	2,700,000	196,433
Liyuhong Holding Limited	1,800,000	130,955
Baoxinglong Holding Limited	900,000	65,478
Xulu Holding Limited	450,000	32,739
Qizhao Holding Limited	225,000	16,369
Weili Holding Limited	1,170,000	85,121

- (iii) our Company allotted and issued an aggregate of 13,759,200 Series Angel Preferred Shares, fully paid up, for a total subscription amount of US\$1,001,022, or a subscription price of approximately US\$0.07 per share, as follows:

Subscriber	Number of shares	Subscription price (US\$)
Xinran Group Holding Limited	7,305,570	531,502
Jingmao International Limited	4,653,630	338,565
Li Lingling	1,800,000	130,955

- (iv) our Company repurchased 7,200,000 Ordinary Shares from Mr. Chen Xiaoliang and 1,800,000 Series Angel Preferred Shares from Li Lingling for an aggregate consideration of US\$50,000,000, or a repurchase price of approximately US\$5.56 per share; and

- (v) our Company allotted and issued a total of 9,000,000 Series C-1 Preferred Shares, fully paid up, for an aggregate consideration of US\$50,000,000, or approximately US\$5.56 per share, and 10,000,000 Series C-2 Preferred Shares, fully paid up, for an aggregate consideration of US\$60,000,000, or US\$6.00 per share, to the Series C Investors as follows:

Subscriber	Number of shares	Subscription price (US\$)
Rising Union Limited	6,300,000 Series C-1 Preferred Shares	35,000,000
TPG Growth IV SF Pte. Ltd.	2,700,000 Series C-1 Preferred Shares	15,000,000
Rising Union Limited	7,000,000 Series C-2 Preferred Shares	42,000,000
TPG Growth IV SF Pte. Ltd.	3,000,000 Series C-2 Preferred Shares	18,000,000

For details of the allotment and issue of the Series C Preferred Shares above, see “History, Reorganization and Corporate Structure — Reorganization — Series C Investment”.

- (b) 11,959,200 Series Angel Preferred Shares and 19,000,000 Series C Preferred Shares, representing all the issued Preferred Shares, are expected to be converted into 30,959,200 Ordinary Shares. Following which the authorized share capital of the Company will become US\$50,000.00, divided into 500,000,000 Shares with a par value of US\$0.0001 each.

Except as disclosed above and in “3. Resolutions of the Shareholders passed on April 17, 2019” below, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

3. Resolutions of the Shareholders passed on April 17, 2019

At a general meeting of the Company held on April 17, 2019, our Shareholders adopted, among other things, the following resolutions:

- (a) the Articles of Association were conditionally approved and adopted with effect from the Listing Date;
- (b) conditional on (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (ii) the Offer Price having been determined, (iii) the Underwriting Agreements being executed by the parties thereto and delivered on or before the dates as mentioned in this prospectus, and (iv) the obligations of the Underwriters under the Underwriting Agreements becoming

unconditional and not being terminated in accordance with the terms of the respective Underwriting Agreements or otherwise:

- (1) the terms and conditions of the Global Offering were approved and our Directors were authorized to (i) allot and issue the Offer Shares pursuant to the Global Offering, (ii) finalize the structure of the Global Offering, and (iii) do all things and execute all documents in connection with or incidental to the Global Offering with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
- (2) the rules of the Share Option Scheme, the principal terms of which are set out in “—Other Information—10. Share Option Scheme and the Duiba Share Award Scheme—The Share Option Scheme” of this Appendix, were approved and adopted and our Directors were authorized to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Hong Kong Stock Exchange, and at our Directors’ absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;
- (3) all the 11,959,200 Series Angel Preferred Shares and 19,000,000 Series C Preferred Shares, representing all the issued Preferred Shares, are to be converted into 30,959,200 Ordinary Shares;
- (4) following the conversion of all the Preferred Shares into Ordinary Shares as referred to in sub-paragraph (3) above, each issued and unissued Ordinary Shares of par value US\$0.0001 each in the capital of our Company will be subdivided into 10 Shares of par value US\$0.00001 each. Following the Share Subdivision, our authorized share capital will be US\$50,000 divided into 5,000,000,000 Shares;
- (5) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or under the Global Offering, or pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, Shares with an aggregate nominal amount not exceeding the sum of (i) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering, and (ii) the aggregate nominal amount of the share capital of our Company which may be repurchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (6) below, until the conclusion of the next annual general meeting of our Company, or the date by which

the next annual general meeting our Company is required by the Articles of Association, the Cayman Companies Law, or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

- (6) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase Shares on the Hong Kong Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognized by the SFC and the Hong Kong Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Cayman Companies Law, or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;
- (7) the extension of the general mandate to allot, issue and deal with Shares pursuant to sub-paragraph (5) above to include the aggregate nominal amount of Shares which may be repurchased pursuant to sub-paragraph (6) above; and
- (8) the rules of the Duiba Share Award Scheme were approved and adopted with effect from the Listing Date and the Directors were authorised to make changes to the Duiba Share Award Scheme as may be required by the Hong Kong Stock Exchange and/or which they deem necessary and/or desirable and to take all such actions as they consider necessary and/or desirable to implement or give effect to the Duiba Share Award Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same.

4. **Changes in the share capital of other members of our Group**

Except as disclosed in “History, Reorganization and Corporate Structure”, no other alterations in the share capital of other members of our Company took place within the two years immediately preceding the date of this prospectus.

5. **Repurchase by our Company of our own securities**

This paragraph includes the information required by the Hong Kong Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares for the purpose of Rule 10.06(1)(b)(i) of the Listing Rules) by a company listed on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval.

Note: Pursuant to a resolution passed by the Shareholders on April 17, 2019, the Repurchase Mandate was given to our Directors authorizing any repurchase by our Company of Shares on the Hong Kong Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering but excluding any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting our Company is required by the Articles of Association, the Cayman Companies Law, or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first.

(b) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Cayman Companies Law. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange. Under the Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company, out of our 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 so authorized by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of our shares to be purchased must be provided for out of either or both of the profits of our Company or the share premium account of our Company or, if authorized by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interest of our Company and the 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 if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) *Share of Capital*

The exercise in full of the Repurchase Mandate, on the basis of 1,111,111,200 Shares in issue immediately after the Listing, would result in up to 111,111,120 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(f) *General*

Neither our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intend to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, a group of Shareholders acting in concert (within the meaning under the Takeover Code), depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of our Company and may become obliged under Rule 26 of the Takeovers Code to make a mandatory offer unless a whitewash waiver is obtained.

Immediately following completion of the Global Offering, but excluding any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, Mr. Chen Xiaoliang will directly and indirectly own approximately 40.31% of the voting rights of our Company. Accordingly, any repurchase of Shares by us may result in an increase in Mr. Chen Xiaoliang's proportionate interest in the voting rights of our Company and he may hence become obliged under Rule 26 of the Takeovers Code to make a mandatory offer unless a whitewash waiver is obtained. Except as disclosed above, 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.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person of our Company has notified us that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT OUR BUSINESS

6. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a loan and guarantee agreement (the “**Loan Agreement**”) dated March 21, 2018 entered into among 珠海蘭馨成長股權投資基金合夥企業(有限合夥) (Zhuhai Orchid Growth Equity Investment Fund LLP) (as the lender), Mr. Chen Xiaoliang (as the borrower), XL Holding, the Key Domestic Subsidiaries, the Company (formerly known as Duiba (Cayman) Limited) and Xiaoliang (Cayman) Limited pursuant to which (i) the lender agreed to provide a loan in the amount of RMB90,000,000 to Mr. Chen Xiaoliang, (ii) HZ Duiba agreed to pledge certain interests in its subsidiaries to the lender as security for the performance of the obligations of Mr. Chen Xiaoliang under the Loan Agreement, and (iii) the Company, Xiaoliang (Cayman) Limited and the Key Domestic Subsidiaries, among others, agreed to guarantee to the performance of the obligations of Mr. Chen Xiaoliang under the Loan Agreement;
- (b) a series C Preferred Share purchase agreement dated March 21, 2018 entered into among (i) the Company (formerly known as Duiba (Cayman) Limited), (ii) Xiaoliang (Cayman) Limited, (iii) the Key Domestic Subsidiaries, (iv) Mr. Chen Xiaoliang, (v) XL Holding, (vi) Shanhong Holding Limited, (vii) Fanghua Holding Limited, (viii) Hengfei Holding Limited, (ix) Baoxinglong Holding Limited, (x) Liyuhong Holding Limited (the above entities (i) to (x) collectively except (ii) shall be referred to as the “**Duiba & Founder Entities**”) and Rising Union Limited, pursuant to which the Company agreed to allot and issue up to an aggregate of 9,000,000 Series C-1 Preferred Shares at an issue price of US\$5.5556 per share, and an aggregate of 10,000,000 Series C-2 Preferred Shares at an issue price of US\$6.0 per share to Rising Union Limited and a co-investor (the “**Orchid Asia SPA**”);
- (c) an amended and restated series C Preferred Share purchase agreement dated April 9, 2018 entered into among the Duiba & Founder Entities, Xiaoliang (Cayman) Limited and Rising Union Limited, pursuant to which the parties thereto agreed to amend certain terms under and restate the Orchid Asia SPA (the “**First Amended and Restated Orchid Asia SPA**”);
- (d) a series C Preferred Share purchase agreement dated April 9, 2018 entered into among the Duiba & Founder Entities, Xiaoliang (Cayman) Limited and TPG Growth IV SF Pte. Ltd., pursuant to which the Company agreed to allot and issue 2,700,000 Series C-1 Preferred Shares and 3,000,000 Series C-2 Preferred Shares to TPG Growth IV SF Pte. Ltd. for an aggregate cash consideration of US\$33,000,000 (“**TPG SPA**”);

- (e) an amendment to series C Preferred Share purchase agreement dated April 18, 2018 entered into among the Duiba & Founder Entities, Xiaoliang (Cayman) Limited and TPG Growth IV SF Pte. Ltd., pursuant to which the parties thereto agreed to amend certain terms under the TPG SPA (the “**First Amendment to TPG SPA**”);
- (f) an equity transfer agreement dated May 28, 2018 entered into between Mr. Chen Xiaoliang and Duiba HK pursuant to which Duiba HK agreed to acquire a 55.3452% equity interest in HZ Duiba from Mr. Chen Xiaoliang for a cash consideration of RMB23,244,984;
- (g) an equity transfer agreement dated May 28, 2018 entered into between Chen Yucai (陳玉才) and Duiba HK pursuant to which Duiba HK agreed to acquire a 3.0508% equity interest in HZ Duiba from Chen Yucai for a cash consideration of RMB1,281,336;
- (h) an equity transfer agreement dated May 28, 2018 entered into between He Wanzhen (何宛珍) and Duiba HK pursuant to which Duiba HK agreed to acquire a 2.3320% equity interest in HZ Duiba from He Wanzhen for a cash consideration of RMB979,440;
- (i) an equity transfer agreement dated May 28, 2018 entered into between HZ Duiba ESOP Co. I and Duiba HK pursuant to which Duiba HK agreed to acquire a 5.6715% equity interest in HZ Duiba from HZ Duiba ESOP Co. I for a cash consideration of RMB2,381,988;
- (j) an equity transfer agreement dated May 28, 2018 entered into between HZ Duiba ESOP Co. II and Duiba HK pursuant to which Duiba HK agreed to acquire a 1.8905% equity interest in HZ Duiba from HZ Duiba ESOP Co. II for a cash consideration of RMB794,000;
- (k) an equity transfer agreement dated May 28, 2018 entered into between Xu Hengfei (徐恒飛) and Duiba HK pursuant to which Duiba HK agreed to acquire a 3.0916% equity interest in HZ Duiba from Xu Hengfei for a cash consideration of RMB1,298,472;
- (l) an equity transfer agreement dated May 28, 2018 entered into between Fang Hua (方華) and Duiba HK pursuant to which Duiba HK agreed to acquire a 1.5222% equity interest in HZ Duiba from Fang Hua for a cash consideration of RMB639,324;
- (m) an equity transfer agreement dated May 28, 2018 entered into between Li Shanhong (黎珊紅) and Duiba HK pursuant to which Duiba HK agreed to acquire a 0.7583% equity interest in HZ Duiba from Li Shanhong for a cash consideration of RMB318,486;
- (n) an equity transfer agreement dated May 28, 2018 entered into between Liu Yang (柳陽) and Duiba HK pursuant to which Duiba HK agreed to acquire a 10.1172% equity interest in HZ Duiba from Liu Yang for a cash consideration of RMB4,249,266;
- (o) an equity transfer agreement dated May 28, 2018 entered into between Dingju Jingmao and Duiba HK pursuant to which Duiba HK agreed to acquire a 5.1707% equity interest in HZ Duiba from Dingju Jingmao for a cash consideration of RMB2,171,694;

- (p) an equity transfer agreement dated May 28, 2018 entered into between Li Lingling (李玲玲) and Duiba HK pursuant to which Duiba HK agreed to acquire a 3% equity interest in HZ Duiba from Li Lingling for a cash consideration of RMB1,260,000;
- (q) an equity transfer agreement dated May 28, 2018 entered into between Ningbo Mingxi and Duiba HK pursuant to which Duiba HK agreed to acquire a 3% equity interest in HZ Duiba from Ningbo Mingxi for a cash consideration of RMB1.26 million;
- (r) an equity transfer agreement dated May 28, 2018 entered into between Li Yuhong (李宇紅) and Duiba HK pursuant to which Duiba HK agreed to acquire a 2% equity interest in HZ Duiba from Li Yuhong for a cash consideration of RMB840,000;
- (s) an equity transfer agreement dated May 28, 2018 entered into between Bao Xinglong (包興隆) and Duiba HK pursuant to which Duiba HK agreed to acquire a 1% equity interest in HZ Duiba from Bao Xinglong for a cash consideration of RMB420,000;
- (t) an equity transfer agreement dated May 28, 2018 entered into between Xu Lu (徐璐) and Duiba HK pursuant to which Duiba HK agreed to acquire a 0.5% equity interest in HZ Duiba from Xu Lu for a cash consideration of RMB210,000;
- (u) an equity transfer agreement dated May 28, 2018 entered into between Xian Qizhao (洗啟釗) and Duiba HK pursuant to which Duiba HK agreed to acquire 0.25% equity interest in HZ Duiba from Xian Qizhao for a cash consideration of RMB105,000;
- (v) an equity transfer agreement dated May 28, 2018 entered into between Weili Jiang and Duiba HK pursuant to which Duiba HK agreed to acquire a 1.3% equity interest in HZ Duiba from Weili Jiang for a cash consideration of RMB546,000;
- (w) a second amendment to series C Preferred Share purchase agreement dated May 31, 2018 entered into among the Duiba & Founder Entities, Rising Union Limited, Duiba HK, Xinran Group Holding Limited, Jingmao International Limited, Kewei Holding Limited, Qizhao Holding Limited, Xulu Holding Limited, Lilingling Holding Limited, Lingxi Holding Limited and Weili Holding Limited pursuant to which the parties thereto agreed to amend certain terms under the Orchid Asia SPA (as amended by the First Amended and Restated Orchid Asia SPA);
- (x) a second amendment to series C Preferred Share purchase agreement dated May 31, 2018 entered into among the Duiba & Founder Entities, TPG Growth IV SF Pte. Ltd., Duiba HK, Xinran Group Holding Limited, Jingmao International Limited, Kewei Holding Limited, Qizhao Holding Limited, Xulu Holding Limited, Lilingling Holding Limited, Lingxi Holding Limited and Weili Holding Limited pursuant to which the parties thereto agreed to amend certain terms under the TPG SPA (as amended by the First Amendment to TPG SPA);






- (y) a management rights letter dated May 31, 2018 issued by the Company to Rising Union Limited pursuant to which the Company agrees that Rising Union Limited shall be entitled to, among other things, (i) consult with the management of the Company on significant business issues, and (ii) examine the books and records of the Company;
- (z) a management rights letter dated May 31, 2018 issued by the Company to TPG Growth IV SF Pte. Ltd. pursuant to which the Company agrees that TPG Growth IV SF Pte. Ltd. shall be entitled to, among other things, (i) consult with the management of the Company on significant business issues, and (ii) examine the books and records of the Company;
- (aa) a share repurchase agreement dated May 31, 2018 made among Mr. Chen Xiaoliang, Li Lingling and the Company in relation to the repurchase by the Company of 7,200,000 Shares from Mr. Chen Xiaoliang and 1,800,000 Series Angel Preferred Shares from Li Lingling for an aggregate cash consideration of US\$50,000,000;
- (bb) a shareholders' agreement dated May 31, 2018 entered into among the Duiba & Founder Entities, Duiba HK, Xinran Group Holding Limited, Jingmao International Limited, Rising Union Limited, TPG Growth IV SF Pte. Ltd., Kewei Holding Limited, Qizhao Holding Limited, Xulu Holding Limited, Lilingling Holding Limited, Lingxi Holding Limited, Weili Holding Limited to regulate the relationships among themselves in respect of the affairs and business of the Company;
- (cc) a project investment cooperation framework agreement dated October 31, 2018 entered into between the Hangzhou Zijingang Science and Technology Town Management Committee (杭州紫金港科技城管委會) and HZ Duiba pursuant to which HZ Duiba will be provided with a land parcel for the construction of a building in the Hangzhou Zijingang Science and Technology Park (杭州紫金港科技城); and
- (dd) the Hong Kong Underwriting Agreement.

7. Intellectual property rights of our Group






The following sets out certain information about our intellectual property rights which we consider to be material in relation to our business.

(a) *Trademarks*

As of the Latest Practicable Date, we were the registered and beneficial owner of the following trademarks in China which we consider to be material to our business:

Trademark	Class	Registration number	Validity period	Registered owner
	9	18308402	December 21, 2016 to December 20, 2026	HZ Duiba
	38	18308722	December 21, 2016 to December 20, 2026	HZ Duiba
	41	18308834	December 21, 2016 to December 20, 2026	HZ Duiba
	42	16801163	June 14, 2016 to June 13, 2026	HZ Duiba
	42	14841480	July 14, 2015 to July 13, 2025	HZ Duiba

As of the Latest Practicable Date, we had applied for the registration of the following trademarks in China which we consider to be material to our business:

Trademark	Class	Application number	Date of application	Applicant
	35	19198758	March 2, 2016	HZ Duiba
	42	19198833	March 2, 2016	HZ Duiba
	35	29684747	March 19, 2018	HZ Duiba
	9	29635694	March 16, 2018	HZ Tuia
	35	29641493	March 16, 2018	HZ Tuia

(b) *Software copyright*

The following table sets forth the software copyrights we had registered or applied for in the PRC as of the Latest Practicable Date which we consider to be material to our business:

Software	Application number	Date of completion of development	Applicant
兑吧系統發佈虛擬商品的功能系統V2.0 Duiba system's capability to disseminate virtual products V2.0	2016SR113021	December 31, 2014	HZ Duiba
兑吧支持商品加錢購買的功能系統V1.0 Duiba system's capability to support payment by cash top-up V1.0	2016SR112202	December 31, 2015	HZ Duiba
兑吧管理員後台可以設置獎品預分配功能系統V1.0 Duiba system's capability to pre-allocate lucky draw prizes V1.0	2016SR112263	August 31, 2015	HZ Duiba
兑吧商品秒殺活動系統V2.0 Duiba flash sale activity system V2.0	2016SR112981	August 31, 2015	HZ Duiba
兑吧定時發送計劃任務的系統V2.0 Duiba system's capability to disseminate information at pre-set timing V2.0	2016SR112287	September 30, 2015	HZ Duiba
兑吧搖獎機系統V1.0 Duiba lucky draw system V1.0	2016SR113024	June 30, 2014	HZ Duiba
兑吧加錢購功能後台資金管理系統V3.6 Duiba management system for cash top-up capability V3.6	2016SR112267	October 31, 2015	HZ Duiba
兑吧數年終獎遊戲系統V1.0 Duiba's game of counting year end prizes V1.0	2016SR112977	March 31, 2015	HZ Duiba
推啊大轉盤抽獎工具V1.0 Tuia giant wheel lucky draw tool V1.0	2017SR642065	March 22, 2017	HZ Tuia
推啊翻牌子抽獎工具V1.0 Tuia cards turning lucky draw tool V1.0	2017SR642054	March 22, 2017	HZ Tuia
推啊刮刮卡抽獎工具V1.0 Tuia scratch card lucky draw tool V1.0	2017SR640924	March 22, 2017	HZ Tuia
推啊砸彩蛋抽獎工具V1.0 Tuia eggs breaking lucky draw tool V1.0	2017SR642216	March 22, 2017	HZ Tuia

FURTHER INFORMATION ABOUT DIRECTORS**8. Directors****(a) Particulars of Directors' service contracts***Executive Directors*

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than two months' notice in writing served by either party on the other. The executive Directors are not entitled to any director's fee.

Non-executive Directors

Each of the non-executive Directors has entered into a letter of appointment with our Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than one month's notice in writing served by either party on the other. The non-executive Directors are not entitled to any director's fee. None of the non-executive Directors is expected to receive any remuneration for holding their office as a Director.

INEDs

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

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

(b) Remuneration of Directors

- (i) The aggregate amount of remuneration including salaries, bonuses, allowances, benefits in kind, equity-settled share award scheme expense and pension scheme contributions our Directors received from us in respect of 2016, 2017 and 2018 were approximately RMB1.0 million, RMB1.5 million and RMB2.4 million, respectively. Information on the remuneration of our Directors during the Track Record Period is set out in Note 9 to the Accountants' Report included in Appendix I to this prospectus.
- (ii) Under the arrangements currently in force, the aggregate remuneration (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including the INEDs) in their respective capacity as Directors for the year ending December 31, 2019 are expected to be approximately RMB2.3 million.

(iii) During the Track Record Period, no remuneration was paid to our Directors as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or any past directors of any member of our Group, during Track Record Period for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There had been no arrangements under which a Director waived or agreed to waive any emoluments for any part of the Track Record Period.

(c) ***Interests and short positions of Directors and chief executive in the Shares, underlying Shares or debentures of our Company and its associated corporations following the Global Offering***

Immediately following completion of the Global Offering (but without taking into account any Shares which may allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors and our chief executive in the Shares, underlying shares and debentures of our Company and any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

<u>Name of Director</u>	<u>Capacity / nature of interest</u>	<u>Number Shares in our Company ⁽¹⁾</u>	<u>Approximate shareholding percentage (%)</u>
Mr. Chen Xiaoliang ⁽²⁾	Founder of a discretionary trust and interest of controlled corporations	542,609,100 Shares (L)	48.83%
Xu Hengfei (徐恒飛) ⁽³⁾	Interest of a controlled corporation	27,824,400 Shares (L)	2.50%
Fang Hua (方華) ⁽⁴⁾	Interest of a controlled corporation	13,699,800 Shares (L)	1.23%

Notes:

(1) The letters “L” and “S” denote respectively the “long position” and “short person” (as defined under Part XV of the SFO) of the relevant person / entity in such Shares.

(2) The disclosed interest represents (i) his interest in our Company held by XL Holding, which is wholly-owned by CMB Wing Lung (Trustee) Limited as trustee for the Chen’s Family Trust through Antopex Limited and Blissful Plus (as nominees for CMB Wing Lung (Trustee) Limited); and (ii) his position as the sole director of Duiba ESOP Co., and deemed to be interested in the 68,057,100 Shares held by Duiba ESOP Co..

- (3) Mr. Xu Hengfei is an executive Director and our chief technology officer. He is deemed to be interested in the 27,824,400 Shares held by Hengfei Holding Limited, which is a company incorporated in the BVI and wholly owned by Mr. Xu Hengfei.
- (4) Mr. Fang Hua (方華) is an executive Director and our chief product officer. He is deemed to be interested in the 13,699,800 Shares held by Fanghua Holding Limited, which is a company incorporated in the BVI and wholly owned by Mr. Fang Hua.

9. Disclaimers

Except as disclosed in this prospectus:

- (a) none of our Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus;
- (b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;
- (c) none of our Directors nor any of the experts listed in the paragraph 14 below has been interested in the promotion of, or has any direct or indirect interest 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 our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph 14 below:
- (i) is interested legally or beneficially in any securities of any member of our Group; or
- (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

OTHER INFORMATION**10. Share Option Scheme and the Duiba Share Award Scheme***The Share Option Scheme*

The following is a summary of the principal terms of the post-IPO share option scheme conditionally approved and adopted by the Shareholders on April 17, 2019 and its implementation is conditional on the Listing (the “**Share Option Scheme**”).

(a) Purpose

The purpose of the Share Option Scheme is to incentivize and reward the Eligible Persons (as defined in sub-paragraph (b) below) for their contribution to our Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.

(b) Who may participate

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of our Group or associated companies of our Company (the “**Eligible Persons**”), provided that any grant of options under the Share Option Scheme is subject to unanimous approval of all members of the Board entitled to approve such grant pursuant to the requirements under the Listing Rules, the Articles and the applicable laws and regulations.

(c) Maximum number of Shares in respect of which options may be granted

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes (the “**Other Schemes**”) of our Company must not in aggregate exceed 10% of the total number of Shares in issue as of the Listing Date (the “**Scheme Mandate Limit**”). Options lapsed in accordance with the terms of the Share Option Scheme and any Other Schemes will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Board may, with the approval of our Shareholders in general meeting, refresh the Scheme Mandate Limit provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any Other Schemes under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as of the date of on which the Shareholders approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Post-IPO Share Option Scheme and any Other Schemes (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as “refreshed”. The Board may, with the

approval of our Shareholders in general meeting, grant options to any Eligible Person specifically identified by them which would cause the Scheme Mandate Limit to be exceeded. We will send to our Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of Shareholders.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme and any Other Schemes to Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as our auditors or independent financial advisor appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of our Company whether by way of capitalization of profits or reserves, rights issue, repurchase, consolidation, redenomination, subdivision or reduction of the share capital of our Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

(d) Maximum entitlement of each individual

No options shall be granted to any Eligible Person under the Share Option Scheme and any Other Schemes which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date.

Any further grant of options to an Eligible Person in excess of this 1% limit shall be subject to the approval of our Shareholders in general meeting with such Eligible Person and his associates abstaining from voting. We must send a circular to our Shareholders disclosing the identity of the Eligible Person in question, the number and terms of the options to be granted (and options previously granted to such Eligible Person) and such other information required under the Listing Rules.

The number and terms (including the exercise price) of the options to be granted to such Eligible Person must be fixed before the Shareholders' approval and the date of the Board meeting approving such further grant shall be taken as the date of grant for the purpose of determining the exercise price of the options.

(e) Grant of options to connected persons

Each grant of options to a director (including an independent non-executive Director) of any member of the Group or associated company of our Company, chief executive or substantial shareholder of our Company, or any of their respective associates, under the Post-IPO Share Option Scheme must be approved by the INEDs (excluding any INED who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder or an INED of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of options by the Board must be approved by our Shareholders in general meeting. The grantee, his associates and all core connected persons must abstain from voting on the resolution to approve such further grant of options, except that such a person may vote against such resolution subject to the requirements of the Listing Rules. We must send to our Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

(f) Acceptance of an offer of options

An offer of options shall be open for acceptance in writing received by the Chairman (or a person designated by him with the approval of the Board) for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of RMB1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

(g) Exercise price

Subject to any adjustment made as described in sub-paragraph (u) below, the exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

- (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the date of grant of the option,
- (ii) the average of the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant of the option, and
- (iii) the nominal value of the Shares.

(h) **Duration of the Share Option Scheme**

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

(i) **Time of vesting and exercise of options**

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfilment of the vesting conditions (as the case may be). Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remains unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option (the “**Option Period**”).

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised. Such terms and conditions determined by the Board must not be contrary to the purpose of the Share Option Scheme and must be consistent with such guidelines (if any) as may be approved from time to time by the Shareholders.

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

An option-holder may exercise any or all of his options by notice of exercise in writing in such form as the Board may from time to time require delivered to the chairman (or a person designated by him with the approval of the Board). The notice of exercise of the option must be completed, signed by the option-holder or by his appointed agent, and must be accompanied by the:

- (i) relevant option certificate, and
- (ii) correct payment in full in cleared funds of the total exercise price for the number of Shares in respect of which the options are being exercised.

(j) Restriction on the time of grant of options

A grant of options may not be made after inside information has come to the knowledge until such inside information has been announced as required under the Listing Rules. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules), and
- (ii) the deadline for us to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(k) Ranking of the Shares

No dividends (including distributions made upon the liquidation of our Company) will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. Shares allotted and issued on the exercise of an option will rank equally in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(l) Restrictions on transfer

Except for the transmission of an option on the death of an option-holder to his personal representatives, neither the option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any option-holder to any other person or entity. If an option-holder transfers, assigns or disposes of any such option or rights, whether voluntarily or involuntarily, then the relevant option will immediately lapse.

(m) Rights on voluntary resignation

If an option-holder ceases to be an Eligible Person by reason of his voluntary resignation (other than in circumstances where he is constructively dismissed), any outstanding offer of options shall continue to be open for acceptance for such period as determined by the Board at its absolute discretion and notified to such Eligible Person, and all options (to the extent vested but not already exercised) will continue to be exercisable for such period as the Board may determine at its absolute discretion and notify to such Eligible Person on the date of cessation of employment of such Eligible Person.

(n) Rights on termination of employment

If an option-holder ceases to be an Eligible Person by reason of (i) his employer terminating his contract of employment in accordance with its terms or any right conferred on his employer by law, (ii) his contract of employment, being a contract for a fixed term, expiring and not being renewed, or (iii) his employer terminating his contract for serious or gross misconduct, then any outstanding offer of an option and all options, vested or unvested, will lapse on the date the option-holder ceases to be an Eligible Person.

(o) Rights on death, disability, retirement and transfer

If an option-holder ceases to be an Eligible Person by reason of:

- (i) his death, or
- (ii) his serious illness or injury which in the opinion of the Board renders the option-holder concerned unfit to perform the duties of his employment and which in the normal course would render the option-holder unfit to continue performing the duties under his contract of employment for the following 12 months provided such illness or injury is not self-inflicted,
- (iii) his retirement in accordance with the terms of an option-holder's contract of employment,
- (iv) his early retirement by agreement with the option-holder's employer,
- (v) his employer terminating his contract of employment by reason of redundancy,
- (vi) his employer ceasing to be a member of our Group or an associated company of our Company or under the control of our Company,
- (vii) a transfer of the business, or the part of the business, in which the option-holder works to a person who is neither under the control of our Company nor a member of our Group or associated companies of our Company, or
- (viii) if the Board determines in its absolute discretion that circumstances exist which mean that it is appropriate and consistent with the purpose of the Share Option Scheme to treat an option-holder whose options would otherwise lapse so that such options do not lapse but continue to subsist in accordance with (and subject to) the provisions of the Share Option Scheme,

then, any outstanding offer of an option which has not been accepted and any unvested option will lapse and the option-holder or his personal representatives (if appropriate) may exercise all his options (to the extent vested but not already exercised) within a period of three months of the date of cessation of employment. Any option not exercised prior to the expiry of this period shall lapse.

If the Board determines that an option-holder who ceases to be an Eligible Person in circumstances such that his options continue to subsist in accordance with (i) to (viii) above:

- (i) is guilty of any misconduct which would have justified the termination of his contract of employment for cause but which does not become known to us until after he has ceased employment with any member of our Group or associated companies, or
- (ii) is in breach of any material term of contract of employment (or other contract or agreement related to his contract of employment), without limitation, any confidentiality agreement or agreement containing non-competition or non-solicitation restrictions between him and any member of our Group or associated companies, or
- (iii) has disclosed trade secrets or confidential information of any member of our Group or associated companies, or
- (iv) has entered into competition with any member of our Group or associated companies or breached any non-solicitation provisions in his contract of employment,

then it may, in its absolute discretion, determine that any unexercised options, vested or not vested, held by the option-holder shall immediately lapse upon the Board resolving to make such determination (whether or not the option-holder has been notified of the determination).

(p) Rights on cessation to be a director

In the event that any director ceases to be a director of any member of our Group or associated companies, we shall, as soon as practicable thereafter, give notice to the relevant option-holder who as a result ceases to be an Eligible Person. Any outstanding offer of an option which has not been accepted and any unvested option will lapse on the date the option-holder ceases to be an Eligible Person. The option-holder (or his personal representative) may exercise all his options (to the extent vested but not already exercised) within a period of three months of the date of the notification by the Board. Any option not exercised prior to the expiry of this period shall lapse.

(q) Rights on a general offer

In the event of a general offer by way of a take-over is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional, an option-holder (or his personal representatives) may thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or to the extent specified in such notice.

(r) Rights on company reconstructions

In the event of a general offer by way of a scheme of arrangement is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, an option-holder (or his personal representatives) may thereafter (but before such time as shall be notified by the Company) by notice in writing to our Company exercise the option to its full extent or to the extent specified in such notice.

Other than a general offer contemplated in sub-paragraph (q) above or a scheme of arrangement, if a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, the Company shall give notice thereof to an option-holder (together with a notice of the existence of the provisions of this paragraph) on the same date or soon after it dispatches the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the option-holder (or his personal representatives) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of two months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his options whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. We may require the option-holder (or his personal representatives) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the option-holder in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(s) Rights on winding up

In the event we give a notice to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, we will on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all option-holders (together with a notice of the existence of the provisions of this paragraph) and thereupon, each option-holder (or his personal representatives) is entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting set out above, allot the relevant Shares to the option-holder credited as fully paid.

(t) Lapse of options

An option will lapse on the earlier of:

- (i) the expiry of the Option Period as determined by the Board, or

- (ii) the date on which an option-holder is in breach of sub-paragraph (l) above, or
- (iii) the expiry of the time provided for in the applicable rule where any of the circumstances provided in sub-paragraphs (m) to (s) above apply.

(u) Effect of alteration to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, rights issues, repurchase, consolidation, redenomination, subdivision or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements (other than an issue of any share capital as consideration in respect of a transaction), such corresponding adjustments (if any) shall be made to the number of Shares, the subject matter of the option (insofar as it is unexercised) and/or the price at which the options are exercisable, as our auditors or an independent financial advisor appointed by the Board shall certify in writing to the Board to be in their opinion fair and reasonable. We shall give notice of any adjustments to an option-holder.

Any such adjustments shall be made on the basis that an option-holder shall have the same proportion of the issued share capital of our Company as that to which he was entitled before such adjustment. No such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of the Company for which any option-holder would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustments.

Our auditors or the independent financial advisor selected by the Board (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the Note to paragraph 17.03(13) of the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the “Supplemental Guidance on Main Board Listing Rule 17.03(13) and the Notice immediately after the Rule” attached to the letter of the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes), except where such adjustment is made on a capitalization issue.

The capacity of the auditors or independent financial advisors is that of experts and not of arbitrators and their certification shall be final and binding on us and the option-holders in the absence of fraud or manifest error. The costs of the auditors or independent financial advisors shall be borne by us.

We will notify an option-holder of any adjustments made in accordance with sub-paragraph (u) above.

(v) Cancellation of options

The Board may cancel an option granted but not exercised by an option-holder with the approval of an option-holder of such option.

No options may be granted to an Eligible Person in place of his cancelled options unless there are available unissued options (excluding the cancelled options) within the limit as mentioned in sub-paragraph (c) above.

(w) Termination of the Share Option Scheme

The Share Option Scheme will expire automatically on the day immediately preceding the tenth anniversary of the Listing Date. The Board may terminate the Share Option Scheme at any time without Shareholders' approval by resolving that no further options shall be granted under the Share Option Scheme and in such case, no new offers to grant options under the Share Option Scheme will be made and any options which have been granted but not yet exercised shall either (i) continue subject to the Share Option Scheme, or (ii) be cancelled in accordance with sub-paragraph (v) above.

(x) Amendments to the Share Option Scheme

The Board may amend any of the provisions of the Share Option Scheme (including amendments in order to comply with changes in legal or regulatory requirements) at any time (but not so as to affect adversely any rights which have accrued to any option-holder at that date), except that amendments which are to the advantage of present or future option-holders in respect of matters contained in Rule 17.03 of the Listing Rules must be approved by our Shareholders in general meeting.

Any amendments to the terms and conditions of the Share Option Scheme which are of a material nature or any amendments to the terms of any options granted may only be made with the approval of our Shareholders save where the amendments take effect automatically under the existing terms of the Share Option Scheme.

The Board need not obtain the approval of our Shareholders in general meeting for any minor amendments:

- (i) to benefit the administration of the Share Option Scheme,
- (ii) to comply with or take account of the provisions of any proposed or existing legislation,
- (iii) to take account of any changes to any legislative or regulatory requirements, or
- (iv) to obtain or maintain favorable tax, exchange control or regulatory treatment of any member of our Group or any present or future option-holder.

Any amendments to the terms of options granted to an option-holder who is a substantial shareholder of our Company or an INED, or any of their respective associates, must be approved by our Shareholders in general meeting. The resolution to approve the amendment must be taken on a poll and any such option holder, his associates and all core connected persons must abstain from voting on the resolution to approve such amendment, except that such a connected person may vote against such resolution.

Any change to the authority of the Board in relation to any amendment of the rules of the Share Option Scheme may only be made with the approval of our Shareholders in general meeting.

The amended terms of the Share Option Scheme must still comply with Chapter 17 of the Listing Rules.

(y) Conditions of the Share Option Scheme

The adoption of the Share Option Scheme is conditional on:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and
- (ii) the commencement of the dealings in the Shares on the Hong Kong Stock Exchange.

If the conditions above are not satisfied on or before the date following six months after the date the Share Option Scheme was conditionally adopted:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Share Option Scheme or any option.

(z) General

An application has been made to the Listing Committee for the listing of, and permission to deal in, the new Shares which may be issued pursuant to the exercise of the options which may be granted pursuant to the Share Option Scheme.

As of the Latest Practicable Date, no option had been granted or agreed to be granted by us pursuant to the Share Option Scheme.

Details of the Share Option Scheme, including particulars and movements of the options granted during each financial year of our Company, and the employee costs arising from the grant of the options will be disclosed in our annual report.

The Duiba Share Award Scheme

The following is a summary of the principal terms of the Duiba Share Award Scheme adopted by the resolutions in writing of our Shareholders on April 17, 2019. The Duiba Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Duiba Share Award Scheme is to recognize contributions by certain Employees and to provide them with incentives in order to retain them for the continuing operation and development of the Group and to attract suitable personnel for the further development of the Group.

(b) Duration

Subject to any early termination as may be determined by the Board in accordance with the rules of the Duiba Share Award Scheme, the Duiba Share Award Scheme shall be valid and effective for a term of ten years commencing on its adoption date.

(c) Administration

The Duiba Share Award Scheme shall be administered by the Board and the ESAS Trustee in accordance with the rules of the Duiba Share Award Scheme and the ESAS Trust Deed. The decision of the Board with respect to any matter arising under the Duiba Share Award Scheme (including the interpretation of any provision) shall be final and binding. The ESAS Trustee will hold the Shares in accordance with the terms of the ESAS Trust Deed.

(d) Operation of the Duiba Share Award Scheme*Contribution of funds to the ESAS Trust*

The Board may from time to time cause to be paid an amount to the ESAS Trust by way of settlement or otherwise contributed by the Company or other member of the Group as directed by the Board.

The Board may establish an committee which will be authorized to administer the Duiba Share Award Scheme, and such committee may from time to time instruct the ESAS Trustee in writing to purchase Shares on the Hong Kong Stock Exchange specifying the timing of purchase, maximum amount of funds to be used and the range of prices within which such Shares are to be purchased.

Eligible persons for the Scheme and grant of ESAS Awarded Shares

The Board may from time to time select any Employee (excluding any Excluded Employee) for participation in the Duiba Share Award Scheme as an ESAS Selected Employee and grant to such ESAS Selected Employee ESAS Awarded Shares on and subject to such terms and conditions as it may in its discretion determine.

Vesting of ESAS Awarded Shares

The Board is entitled to impose any conditions as it deems appropriate in its discretion with respect to the vesting of the ESAS Awarded Shares on the ESAS Selected Employee.

Rights attached to the ESAS Awarded Shares

An ESAS Selected Employee will not have any interest or rights (including the right to vote at general meetings of the Company or the right to receive dividends) in the ESAS Awarded Shares prior to the Vesting Date.

Non-transferrable

Prior to the Vesting Date, any award of ESAS Awarded Shares is personal to the ESAS Selected Employee to whom it is made and is not assignable and no ESAS Selected Employee may in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the ESAS Awarded Shares referable to him pursuant to such award.

Lapse of Awarded Shares

In the event that an ESAS Selected Employee has ceased to be an Employee, the relevant award made to such ESAS Selected Employee will automatically lapse and the relevant ESAS Awarded Shares will remain part of the funds under the ESAS Trust.

Voting rights of the ESAS Trustee

The ESAS Trustee may not exercise the voting rights in respect of any Shares held under the ESAS Trust.

Restrictions

The ESAS Trustee may not acquire or sell any Shares at any time when dealings in the Shares are prohibited under any code or requirements of the Listing Rules and all applicable laws.

(e) Alteration of the Duiba Share Award Scheme

The Duiba Share Award Scheme may be altered in any respect by a resolution of the Board provided that no such amendment shall operate to affect materially and adversely any subsisting rights of any ESAS Selected Employee.

(f) Termination

The Duiba Share Award Scheme will terminate after the expiry of 10 years from the date of its adoption or such earlier date as determined by the Board provided that such early termination shall not materially and adversely affect any subsisting rights of any ESAS Selected Employee.

11. Preliminary expenses

We have incurred and paid preliminary expenses of approximately RMB18,800.

12. Promoters

Our Company has no promoter for the purpose of the Listing Rules.

13. Application for listing of Shares

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, being up to 10% of the Shares in issue on the Listing Date, on the Hong Kong Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Joint Sponsors have confirmed that they satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The aggregate sponsors' fee amounts to US\$1.1 million and is payable by our Company.

14. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows

Name	Qualification
CMB International Capital Limited	Licensed corporation under the SFO for type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Corner Stone & Partners	PRC legal advisor on certain PRC trademark matters
Ernst & Young	Certified public accountants
HSBC Corporate Finance (Hong Kong) Limited	Licensed corporation under the SFO for type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Jingtian & Gongcheng	PRC Legal Advisor
Shanghai iResearch Co., Ltd.	Industry consultant

15. Consents of experts

Each of the above named experts has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

16. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance 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 Provision) Ordinance so far as applicable.

17. Miscellaneous

- (a) Except as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group; and
 - (iii) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries.
- (b) Except as disclosed in this prospectus, no capital of any member of our Group is under option or is agreed conditionally or unconditionally to be put under option.
- (c) Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.
- (d) The Company has no founder shares, management shares or deferred shares.

18. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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 **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to under “Other Information—Consents of Experts” in Appendix IV to this prospectus; and
- (c) copies of the material contracts referred to in “Further Information about Our Business—Summary of Material Contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Allen & Overy at 9th Floor, Three Exchange Square, 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 the Articles;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information of our Group prepared by Ernst & Young, the texts of which are set out in Appendices I and II to this prospectus;
- (c) the audited consolidated financial statements of our Company for the years ended December 31, 2017 and 2018;
- (d) the letter of advice prepared by Conyers Dill & Pearman, our legal advisor on Cayman Islands law, in relation to certain aspects of the Cayman Companies Law referred to in Appendix IV to this prospectus;
- (e) the legal opinions prepared by Jingtian & Gongcheng, our legal advisor on PRC law, in relation to certain aspects of our Group and our property interests in the PRC;
- (f) the letter of advice prepared by Corner Stone & Partners, our PRC legal advisor on intellectual property law, in relation to the use of certain of our trademarks and trade names in the PRC;
- (g) the Cayman Companies Law;

- (h) the industry report prepared by iResearch;
- (i) the written consents referred to in “Other Information—Consents of Experts” in Appendix IV to this prospectus; and
- (j) the material contracts referred to in “Further Information about Our Business—Summary of Material Contracts” in Appendix IV to this prospectus.

Duiba Group

兑吧集团有限公司

Duiba Group Limited